

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**KANDIYOHI COUNTY**  
**WILLMAR, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2009**

## **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, 2009**



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

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

ORGANIZATION  
2009

Office	Name	Term of Office	
		From	To
<b>Commissioners</b>			
1st District	Richard Falk**	January 1999	January 2011
2nd District	Richard Larson	January 1997	January 2013
3rd District	Dean Shuck	January 2003	January 2011
4th District	Dennis Peterson*	January 1993	January 2013
5th District	Harlan Madsen	January 1995	January 2011
<b>Officers</b>			
<b>Elected</b>			
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
<b>Appointed</b>			
Administrator	Larry Kleindl		Indefinite
Assessor	Tim Falkum	January 2009	December 2012
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 OFFICE OF THE STATE AUDITOR

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525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
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1-800-627-3529 (Relay Service)

## 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, 2009, including the Kandiyohi County Housing and Redevelopment Authority (HRA) as of and for the year ended June 30, 2009, 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, 2009, including the Kandiyohi County HRA as of June 30, 2009, 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 September 28, 2010, 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

September 28, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009  
(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, 2009. 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 \$139,910,171 of which \$92,724,459 is invested in capital assets, net of related debt, and \$1,364,945 is restricted to specific purposes.
- Kandiyohi County's net assets increased by \$9,796,255 for the year ended December 31, 2009. The net assets of the County's discretely presented component unit increased by \$8,117.
- The net cost of governmental activities was \$21,323,963 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$31,120,218.
- Governmental funds' fund balances decreased by \$3,549,648.

**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, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- Component units--The County includes one separate legal entity in its report. The Kandiyohi County Housing and Redevelopment Authority 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 \$139,910,171 on December 31, 2009. (See Table A-1.)

**Table A-1**  
**Net Assets**

	Governmental Activities		Percent (%) Change
	2009	2008 (As restated)	
Current and other assets	\$ 73,054,305	\$ 75,486,917	(3.2)
Capital assets	151,314,294	140,358,210	7.8
Total Assets	\$ 224,368,599	\$ 215,845,127	3.9
Current liabilities	\$ 4,461,798	\$ 5,769,049	(22.7)
Long-term liabilities	79,996,630	79,962,162	0.0
Total Liabilities	\$ 84,458,428	\$ 85,731,211	(1.5)
Net Assets			
Invested in capital assets, net of related debt	\$ 92,724,459	\$ 83,066,660	11.6
Restricted assets	1,364,945	1,998,778	(31.7)
Unrestricted	45,820,767	45,048,478	(2.2)
Total Net Assets	\$ 139,910,171	\$ 130,113,916	7.5

(Unaudited)

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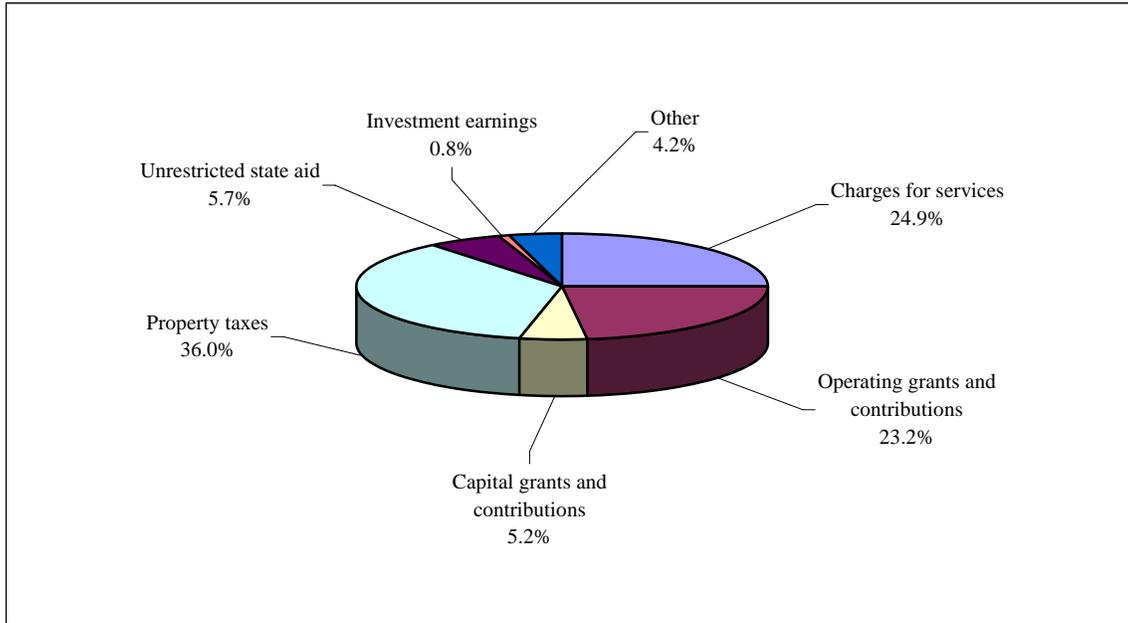
## Changes in Net Assets

The County-wide total revenues were \$66,618,516 for the year ended December 31, 2009. Property taxes and intergovernmental revenues accounted for 70.1 percent of total revenues for the year. (See Figures A-3 and A-4.)

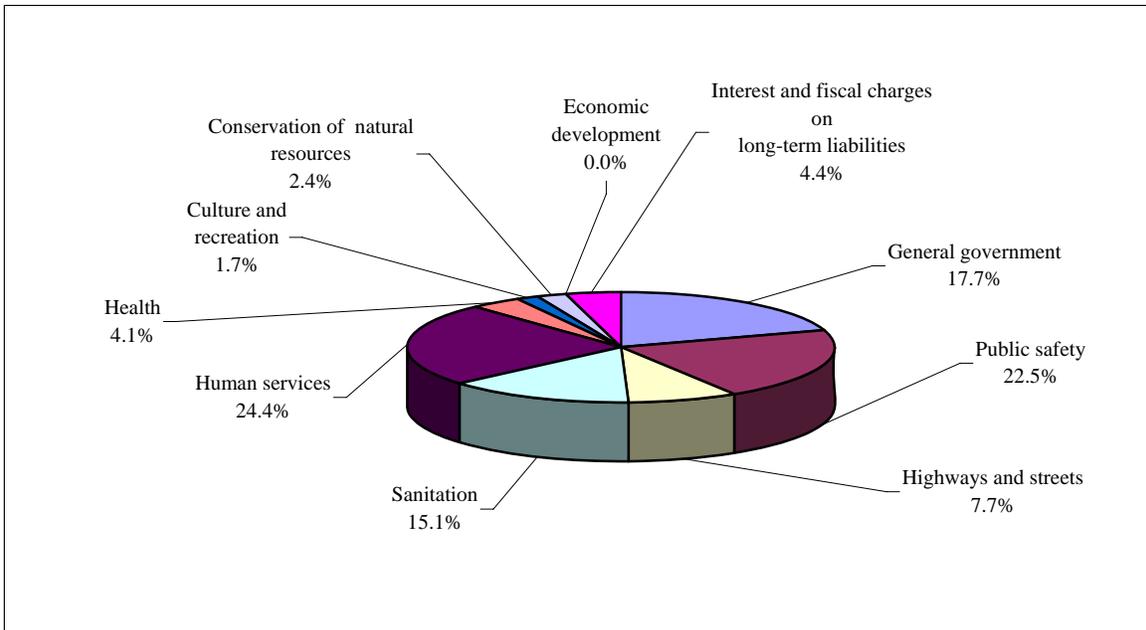
**Table A-2**  
**Changes in Net Assets**

	Governmental Activities for Fiscal Year Ended December 31		Total Percent (%) Change
	2009	2008 (As Restated)	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 16,571,551	\$ 17,618,153	(5.9)
Operating grants and contributions	15,469,238	16,095,285	(3.9)
Capital grants and contributions	3,457,509	3,941,835	(12.3)
General revenues			
Taxes	23,938,559	22,137,278	8.1
Unrestricted state aid	3,837,373	3,527,819	8.8
Investment earnings	534,183	1,788,521	(70.1)
Other	2,810,103	4,216,942	(33.4)
Total Revenues	<u>\$ 66,618,516</u>	<u>\$ 69,325,833</u>	(3.9)
Expenses			
General government	\$ 10,059,576	\$ 10,311,588	(2.4)
Public safety	12,764,464	13,424,240	(4.9)
Highways and streets	4,382,491	11,019,848	(60.2)
Sanitation	8,565,382	9,016,001	(5.0)
Human services	13,870,976	13,982,366	(0.8)
Health	2,353,588	2,380,540	(1.1)
Culture and recreation	951,317	897,146	6.0
Conservation of natural resources	1,369,844	1,248,382	9.7
Economic development	18,292	24,449	(25.2)
Interest	2,486,331	2,601,364	(4.4)
Total Expenses	<u>\$ 56,822,261</u>	<u>\$ 64,905,924</u>	(12.5)
Increase in Net Assets	\$ 9,796,255	\$ 4,419,909	121.6
Beginning Net Assets	<u>130,113,916</u>	<u>125,694,007</u>	3.5
Ending Net Assets	<u>\$ 139,910,171</u>	<u>\$ 130,113,916</u>	7.5

**Figure A-3  
Sources of County Revenues for Fiscal Year 2009**



**Figure A-4  
Sources of County Expenses for Fiscal Year 2009**



Total revenues surpassed expenses, increasing net assets \$9,796,255 over last year.

The County-wide cost of all governmental activities this year was \$56,822,261.

- Some of the cost was paid by the users of the County’s programs (\$16,571,511).
- The federal and state governments subsidized certain programs with grants and contributions (\$18,926,747).
- Some of the County’s costs (\$21,323,963), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$23,817,403 in property taxes, \$7,302,815 of state aid, and investment earnings and other general revenues.

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		
	2009	2008 (As Restated)			2009	2008 (As Restated)	Percent (%) Change
General government	\$ 10,059,576	\$ 10,311,588	(2.4)	\$ 8,109,518	\$ 8,047,873	0.8	
Public safety	12,764,464	13,424,240	(4.9)	9,391,538	8,563,930	9.7	
Highways and streets	4,382,491	11,019,848	(60.2)	(6,087,904)	296,147	(2,155.7)	
Sanitation	8,565,382	9,016,001	(5.0)	(838,827)	(762,510)	10.0	
Human services	13,870,976	13,982,366	(0.8)	6,376,515	5,280,057	20.8	
Health	2,353,588	2,380,540	(1.1)	575,751	675,378	(14.8)	
Culture and recreation	951,317	897,146	6.0	614,332	587,599	4.5	
Conservation of natural resources	1,369,844	1,248,382	9.7	678,417	318,880	112.7	
Economic development	18,292	24,449	(25.2)	18,292	24,449	(25.2)	
Interest and fiscal charges on long-term liabilities	2,486,331	2,601,364	(4.4)	2,486,331	2,601,364	(4.4)	
<b>Total</b>	<b>\$ 56,822,261</b>	<b>\$ 64,905,924</b>	<b>(12.5)</b>	<b>\$ 21,323,963</b>	<b>\$ 25,633,167</b>	<b>(16.8)</b>	

**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 \$50,937,991.

Revenues for the County’s governmental funds were \$64,463,736, while total expenditures were \$67,884,696. During 2009, the County also issued bonds and loans which are included in other financing sources and uses.

## 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	
	2009	2008	Increase (Decrease)	Percent (%)
Taxes	\$ 11,698,070	\$ 10,125,661	\$ 1,572,409	15.5
Intergovernmental	4,875,351	4,767,391	107,960	2.3
Charges for services	3,970,920	5,030,838	(1,059,918)	(21.1)
Investment earnings	208,148	724,556	(516,408)	(71.3)
Miscellaneous and other	1,601,140	2,342,210	(741,070)	(31.6)
<b>Total General Fund Revenues</b>	<b>\$ 22,353,629</b>	<b>\$ 22,990,656</b>	<b>\$ (637,027)</b>	<b>(2.8)</b>

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

**Table A-7  
General Fund Expenditures**

	Year Ended December 31		Change	
	2009	2008	Increase (Decrease)	Percent (%)
General government	\$ 7,618,736	\$ 8,611,979	\$ (993,243)	(11.5)
Public safety	13,613,105	13,006,500	606,605	4.7
Health	2,347,304	2,375,480	(28,176)	(1.2)
Culture and recreation	387,303	480,382	(93,079)	(19.4)
Conservation of natural resources	744,694	671,980	72,714	10.8
Economic development	18,292	24,449	(6,157)	(25.2)
Debt service	232,423	93,206	139,217	149.4
<b>Total General Fund Expenditures</b>	<b>\$ 24,961,857</b>	<b>\$ 25,263,976</b>	<b>\$ (302,119)</b>	<b>(1.2)</b>

### General Fund Budgetary Highlights

- Actual revenues were \$124,875 less than expected.
- Actual expenditures were \$623,740 more than budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2009, the County had invested over \$187,441,396 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 \$3,976,311.

**Table A-8  
Capital Assets**

	2009	2008	Percent (%) Change
Land	\$ 5,189,130	\$ 4,987,883	4.0
Landfill	3,948,130	3,239,593	21.9
Infrastructure	103,216,147	89,596,304	15.2
Buildings	44,123,258	43,185,858	2.2
Machinery, vehicles, furniture, and equipment	12,403,505	12,197,947	1.7
Construction in progress	18,561,226	19,628,475	(5.4)
Less: accumulated depreciation	<u>(36,127,102)</u>	<u>(32,477,850)</u>	11.2
Total Capital Assets	<u>\$ 151,314,294</u>	<u>\$ 140,358,210</u>	7.8

### Debt

At year-end, the County had outstanding debt of \$66,779,362 versus \$71,105,793 last year, a decrease of 6.1 percent as shown in Table A-9.

**Table A-9  
Outstanding Debt**

	2009	2008 (As Restated)	Percent (%) Change
Installment purchase obligation	\$ -	\$ 5,050,000	(100.0)
General obligation bonds	31,070,000	28,750,000	8.1
Special assessment bonds	11,790,000	12,100,000	(2.6)
Capital lease	3,409,780	3,710,000	(8.1)
Deferred (discount) premiums	(57,468)	(102,239)	(43.8)
Loans payable	20,566,569	21,595,646	(4.8)
Paving assessments	<u>481</u>	<u>2,386</u>	(79.8)
Total Outstanding Debt	<u>\$ 66,779,362</u>	<u>\$ 71,105,793</u>	(6.1)

## **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, 2009**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Kandiyohi County Housing and Redevelopment Authority</b>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and pooled investments	\$ 45,993,497	\$ 714,919
Taxes receivable		
Prior - net	551,237	122,887
Special assessments receivable - prior	83,211	-
Accounts receivable - net	884,141	22,933
Accrued interest receivable	198,540	8,906
Loan receivable	4,638,607	-
Note receivable - current	-	3,808
Due from other governments	2,673,851	-
Inventories	340,172	-
Prepaid items	-	11,342
<b>Noncurrent assets</b>		
Special assessments receivable - noncurrent	17,185,327	-
Deferred charges	208,515	10,634
Long-term receivable - note	237,999	92,971
Other postemployment benefits	59,208	-
<b>Restricted assets</b>		
Cash and pooled investments	-	119,219
<b>Capital assets</b>		
Non-depreciable	23,750,356	82,359
Depreciable - net of accumulated depreciation	127,563,938	1,015,891
<b>Total Assets</b>	<b>\$ 224,368,599</b>	<b>\$ 2,205,869</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Kandiyohi County Housing and Redevelopment Authority</u>
<b><u>Liabilities</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,157,398	\$ 67,853
Salaries payable	1,167,788	-
Accrued payroll taxes	-	30,210
Contracts payable	7,744	-
Retainage payable	280,726	-
Due to other governments	752,203	1,150
Accrued interest payable	864,075	-
Other accrued liabilities	-	7,783
Unearned revenue	231,864	62,259
<b>Restricted payable from restricted assets</b>		
Accounts payable	-	12,820
<b>Long-term liabilities</b>		
Due within one year	4,819,501	33,605
Due in more than one year	75,177,129	1,270,000
	<u>\$ 84,458,428</u>	<u>\$ 1,485,680</u>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 92,724,459	\$ (205,355)
Restricted for		
General government	418,760	-
Public safety	871,185	-
Economic development	75,000	-
Other purpose	-	5,300
Unrestricted	45,820,767	920,244
	<u>\$ 139,910,171</u>	<u>\$ 720,189</u>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Functions/Programs</u>	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 10,059,576	\$ 1,606,947
Public safety	12,764,464	2,011,049
Highways and streets	4,382,491	1,165,097
Sanitation	8,565,382	9,401,316
Human services	13,870,976	828,908
Health	2,353,588	811,120
Culture and recreation	951,317	336,985
Conservation of natural resources	1,369,844	410,129
Economic development	18,292	-
Interest	2,486,331	-
	<b>\$ 56,822,261</b>	<b>\$ 16,571,551</b>
<b>Total Primary Government</b>	<b>\$ 56,822,261</b>	<b>\$ 16,571,551</b>
<b>Component unit</b>		
Kandiyohi County Housing and Redevelopment Authority	\$ 1,665,143	\$ 436,890
	<b>\$ 1,665,143</b>	<b>\$ 436,890</b>

**General Revenues**

Property taxes, levied for general purposes  
Gravel taxes  
Property taxes, levied for debt service  
Payments in lieu of tax  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings  
Miscellaneous

**Total general revenues**

**Change in net assets**

**Net Assets - Beginning, as restated (Note 1.E.)**

**Net Assets - Ending**

**EXHIBIT 2**

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Discretely Presented Component Unit</u>
\$ 343,111	\$ -	\$ (8,109,518)	
1,361,877	-	(9,391,538)	
5,847,789	3,457,509	6,087,904	
2,893	-	838,827	
6,665,553	-	(6,376,515)	
966,717	-	(575,751)	
-	-	(614,332)	
281,298	-	(678,417)	
-	-	(18,292)	
-	-	(2,486,331)	
<u>\$ 15,469,238</u>	<u>\$ 3,457,509</u>	<u>\$ (21,323,963)</u>	
<u>\$ 1,217,660</u>	<u>\$ -</u>		<u>\$ (10,593)</u>
		\$ 22,590,639	\$ -
		121,156	-
		1,226,764	-
		160,731	-
		3,837,373	-
		534,183	18,710
		2,649,372	-
		<u>\$ 31,120,218</u>	<u>\$ 18,710</u>
		\$ 9,796,255	\$ 8,117
		<u>130,113,916</u>	<u>712,072</u>
		<u>\$ 139,910,171</u>	<u>\$ 720,189</u>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 12,279,970	\$ 4,940,932	\$ 6,296,335
Taxes receivable			
Prior	257,752	80,715	126,245
Special assessments			
Prior	5,738	20	-
Noncurrent	1,161,028	4,402	-
Accounts receivable	199,812	-	121,277
Accrued interest receivable	86,790	23,051	-
Loans receivable	66,400	-	-
Due from other funds	22,173	41,164	-
Due from other governments	383,591	1,366,053	729,678
Inventories	-	340,172	-
Long-term receivable	-	-	-
	<b>\$ 14,463,254</b>	<b>\$ 6,796,509</b>	<b>\$ 7,273,535</b>
 <b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Cash overdraft	\$ -	\$ -	\$ -
Accounts payable	329,490	132,402	232,974
Salaries payable	709,618	117,402	273,265
Contracts payable	-	7,744	-
Retainage payable	-	170,771	-
Due to other funds	34,924	47,412	16,683
Due to other governments	225,716	131,143	340,190
Deferred revenue - unavailable	1,405,542	518,855	102,079
Deferred revenue - unearned	229,634	-	-
	<b>\$ 2,934,924</b>	<b>\$ 1,125,729</b>	<b>\$ 965,191</b>

**EXHIBIT 3**

<u>Sanitary Landfill/ Recycling Center</u>	<u>County Building</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 9,719,184	\$ 4,442,525	\$ 4,059,950	\$ -	\$ 5,173,842	\$ 46,912,738
-	26,324	39,262	-	29,334	559,632
40,011	-	28,405	964	9,282	84,420
918,489	-	12,720,115	2,103,356	525,641	17,433,031
165,000	-	10,351	376,777	10,924	884,141
53,544	19,156	-	-	15,999	198,540
-	-	4,572,207	-	-	4,638,607
-	-	-	1,427,690	220,955	1,711,982
2,607	7,149	69,001	400	115,372	2,673,851
-	-	-	-	-	340,172
-	237,999	-	-	-	237,999
<b>\$ 10,898,835</b>	<b>\$ 4,733,153</b>	<b>\$ 21,499,291</b>	<b>\$ 3,909,187</b>	<b>\$ 6,101,349</b>	<b>\$ 75,675,113</b>
\$ -	\$ -	\$ -	\$ 548,049	\$ 371,192	\$ 919,241
210,290	4,438	-	48,492	199,312	1,157,398
24,280	-	-	-	43,223	1,167,788
-	-	-	-	-	7,744
-	-	-	109,955	-	280,726
7,312	1,425,850	-	175,000	4,801	1,711,982
16,889	-	-	16	38,249	752,203
999,652	40,563	12,776,760	2,103,848	560,877	18,508,176
-	-	-	-	2,230	231,864
<b>\$ 1,258,423</b>	<b>\$ 1,470,851</b>	<b>\$ 12,776,760</b>	<b>\$ 2,985,360</b>	<b>\$ 1,219,884</b>	<b>\$ 24,737,122</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>(Continued)</b>			
<b>Fund Balances</b>			
Reserved for			
Encumbrances	\$ -	\$ 1,645,743	\$ -
Inventories	-	340,172	-
Loans receivable	66,400	-	-
Recorder's equipment purchases	418,101	-	-
Sheriff's contingency	96,740	-	-
Sheriff's forfeited property	199,896	-	-
Permit to carry	66,878	-	-
Public safety	57,141	-	-
Economic development	75,000	-	-
Sanitation	-	-	-
Donations for public safety	5,262	-	-
Debt service	246,471	-	-
Enhanced 911	445,268	-	-
Election equipment grant	659	-	-
Long-term receivable	-	-	-
Unreserved			
Designated for debt service	-	-	-
Designated for petty cash and change funds	1,640	-	-
Designated for unrealized gains on investments	-	14,335	-
Designated for future expenditures	223,699	-	-
Undesignated	9,625,175	3,670,530	6,308,344
Unreserved, reported in nonmajor			
Special revenue funds	-	-	-
<b>Total Fund Balances</b>	<b>\$ 11,528,330</b>	<b>\$ 5,670,780</b>	<b>\$ 6,308,344</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 14,463,254</b>	<b>\$ 6,796,509</b>	<b>\$ 7,273,535</b>

**EXHIBIT 3**  
**(Continued)**

<u>Sanitary Landfill/ Recycling Center</u>	<u>County Building</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 304,652	\$ -	\$ 1,950,395
-	-	-	-	-	340,172
-	-	4,572,207	-	-	4,638,607
-	-	-	-	-	418,101
-	-	-	-	-	96,740
-	-	-	-	-	199,896
-	-	-	-	-	66,878
-	-	-	-	-	57,141
-	-	-	-	-	75,000
5,080,681	-	-	-	-	5,080,681
-	-	-	-	-	5,262
-	-	570,293	-	-	816,764
-	-	-	-	-	445,268
-	-	-	-	-	659
-	237,999	-	-	-	237,999
-	-	3,580,031	-	-	3,580,031
-	-	-	-	-	1,640
126,411	-	-	-	-	140,746
-	-	-	-	-	223,699
4,433,320	3,024,303	-	619,175	-	27,680,847
-	-	-	-	4,881,465	4,881,465
<b>\$ 9,640,412</b>	<b>\$ 3,262,302</b>	<b>\$ 8,722,531</b>	<b>\$ 923,827</b>	<b>\$ 4,881,465</b>	<b>\$ 50,937,991</b>
<b>\$ 10,898,835</b>	<b>\$ 4,733,153</b>	<b>\$ 21,499,291</b>	<b>\$ 3,909,187</b>	<b>\$ 6,101,349</b>	<b>\$ 75,675,113</b>

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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, 2009**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>50,937,991</b>
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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.		151,314,294
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Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.

Revenue deferred as unavailable	\$ 18,508,176	
Allowance for uncollectible receivables included in deferred revenue	<u>(257,308)</u>	18,250,868

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

General obligation bonds	\$ (31,070,000)	
Discount and premium	57,468	
Deferred debt issuance charges	208,515	
Net other postemployment benefits	59,208	
Special assessment bonds	(11,790,000)	
Paving special assessments	(481)	
Capital leases payable	(3,409,780)	
Loans payable	(20,566,569)	
Landfill closure/postclosure liability	(9,727,579)	
Compensated absences	(3,489,689)	
Accrued interest payable	<u>(864,075)</u>	<u>(80,592,982)</u>

<b>Net Assets of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>139,910,171</u></b>
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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 11,698,070	\$ 3,404,940	\$ 5,210,803
Special assessments	179,098	5,638	-
Licenses and permits	374,707	-	-
Intergovernmental	4,875,351	9,876,649	7,493,215
Charges for services	3,970,920	496,895	578,097
Fines and forfeits	-	-	-
Gifts and contributions	4,747	-	-
Investment earnings	208,148	94,528	-
Miscellaneous	1,042,588	-	250,811
	<u>1,042,588</u>	<u>-</u>	<u>250,811</u>
<b>Total Revenues</b>	<b>\$ 22,353,629</b>	<b>\$ 13,878,650</b>	<b>\$ 13,532,926</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 7,618,736	\$ -	\$ -
Public safety	13,613,105	-	-
Highways and streets	-	13,017,901	-
Sanitation	-	-	-
Human services	-	-	13,732,875
Health	2,347,304	-	-
Culture and recreation	387,303	-	-
Conservation of natural resources	744,694	-	-
Economic development	18,292	-	-
<b>Intergovernmental</b>			
Highways and streets	-	282,241	-
Culture and recreation	-	-	-
<b>Capital outlay</b>			
General government	-	-	-
Public safety	-	-	-
Sanitation	-	-	-
Human services	-	-	-
<b>Debt service</b>			
Principal	86,442	365,000	-
Interest	145,080	196,696	-
Bond issuance costs	-	12,004	-
Administrative (fiscal) charges	901	-	-
	<u>901</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<b>\$ 24,961,857</b>	<b>\$ 13,873,842</b>	<b>\$ 13,732,875</b>

**EXHIBIT 5**

<b>Sanitary Landfill/ Recycling Center</b>	<b>County Building</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Nonmajor Funds</b>	<b>Total</b>
\$ -	\$ 1,033,440	\$ 1,219,725	\$ -	\$ 1,305,813	\$ 23,872,791
913,281	-	1,033,413	82,153	399,460	2,613,043
710	-	-	-	-	375,417
144,269	170,026	192,313	-	204,963	22,956,786
2,081,075	-	2,035,093	-	985,612	10,147,692
-	-	-	-	11,480	11,480
-	-	-	-	1,000	5,747
312,855	11,886	-	-	50,615	678,032
479,332	37,512	270,095	176,117	1,546,293	3,802,748
<b>\$ 3,931,522</b>	<b>\$ 1,252,864</b>	<b>\$ 4,750,639</b>	<b>\$ 258,270</b>	<b>\$ 4,505,236</b>	<b>\$ 64,463,736</b>
\$ -	\$ 15,603	\$ -	\$ -	\$ 1,210,731	\$ 8,845,070
-	51,620	-	-	173,528	13,838,253
-	-	-	-	223,988	13,241,889
2,807,754	-	-	-	1,176,247	3,984,001
-	-	-	-	-	13,732,875
-	-	-	-	1,456	2,348,760
-	19,624	-	-	179,659	586,586
-	-	-	-	451,055	1,195,749
-	-	-	-	-	18,292
-	-	-	-	-	282,241
-	-	-	-	345,800	345,800
-	-	-	611,638	-	611,638
-	-	-	1,176,080	-	1,176,080
-	-	-	709,413	-	709,413
-	-	-	72,526	-	72,526
240,000	1,905	3,119,000	-	375,975	4,188,322
29,709	163	2,068,125	-	201,156	2,640,929
-	-	46,755	-	-	58,759
431	-	6,181	-	-	7,513
<b>\$ 3,077,894</b>	<b>\$ 88,915</b>	<b>\$ 5,240,061</b>	<b>\$ 2,569,657</b>	<b>\$ 4,339,595</b>	<b>\$ 67,884,696</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>\$ (2,608,228)</b>	<b>\$ 4,808</b>	<b>\$ (199,949)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 2,534,650	\$ -	\$ -
Transfers out	-	-	(1,100,000)
Loans issued	292,120	-	-
Refunding bonds issued	-	1,365,000	-
Premium on bonds/notes issued	-	11,922	-
Payment to refunded bond escrow agent	-	(1,335,000)	-
Sale of capital assets	1,338	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 2,828,108</b>	<b>\$ 41,922</b>	<b>\$ (1,100,000)</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 219,880</b>	<b>\$ 46,730</b>	<b>\$ (1,299,949)</b>
<b>Fund Balances - January 1</b>	<b>11,308,450</b>	<b>5,594,900</b>	<b>7,608,293</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>29,150</b>	<b>-</b>
<b>Fund Balances - December 31</b>	<b>\$ 11,528,330</b>	<b>\$ 5,670,780</b>	<b>\$ 6,308,344</b>

**EXHIBIT 5**  
**(Continued)**

<u>Sanitary Landfill/ Recycling Center</u>	<u>County Building</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>\$ 853,628</u>	<u>\$ 1,163,949</u>	<u>\$ (489,422)</u>	<u>\$ (2,311,387)</u>	<u>\$ 165,641</u>	<u>\$ (3,420,960)</u>
\$ -	\$ -	\$ 756,085	\$ 1,425,850	\$ 807,581	\$ 5,524,166
(1,534,650)	(1,925,850)	(207,581)	-	(756,085)	(5,524,166)
-	-	-	-	-	292,120
-	-	4,010,000	-	-	5,375,000
-	-	40,932	-	-	52,854
-	-	(4,515,000)	-	-	(5,850,000)
-	-	-	-	-	1,338
<u>\$ (1,534,650)</u>	<u>\$ (1,925,850)</u>	<u>\$ 84,436</u>	<u>\$ 1,425,850</u>	<u>\$ 51,496</u>	<u>\$ (128,688)</u>
\$ (681,022)	\$ (761,901)	\$ (404,986)	\$ (885,537)	\$ 217,137	\$ (3,549,648)
10,321,434	4,024,203	9,127,517	1,809,364	4,664,328	54,458,489
-	-	-	-	-	29,150
<u>\$ 9,640,412</u>	<u>\$ 3,262,302</u>	<u>\$ 8,722,531</u>	<u>\$ 923,827</u>	<u>\$ 4,881,465</u>	<u>\$ 50,937,991</u>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT 6*

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (3,549,648)**

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.

Deferred revenue - December 31	\$ 18,508,176	
Less: allowance for uncollectible receivables	(257,308)	
Deferred revenue - January 1	(16,320,785)	
Less: allowance for uncollectible receivables	<u>224,697</u>	2,154,780

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. Also, in the statement of activities, only the gain or loss on the disposal of 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 sold.

Expenditures for general capital assets and infrastructure	\$ 15,181,973	
Net book value of assets sold	(249,578)	
Current year depreciation	<u>(3,976,311)</u>	10,956,084

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net assets.

Debt issued		
General obligation refunding bonds	\$ (5,375,000)	
Loans	(292,120)	
Debt issuance costs	58,759	
Premium	<u>(52,854)</u>	(5,661,215)

Principal repayments		
Installment purchase obligations	\$ 5,050,000	
General obligation bonds	3,055,000	
Special assessment bonds	310,000	
Paving special assessments	1,905	
Capital leases	300,220	
Loans payable	<u>1,321,197</u>	10,038,322

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

***EXHIBIT 6  
(Continued)***

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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	\$	176,543	
Current year amortization of premium on bonds issued		18,601	
Current year amortization of discount on bonds issued		(10,518)	
Current year amortization of deferred debt issuance costs		(22,515)	
Change in compensated absences		(257,421)	
Change in net other postemployment benefits		27,570	
Change in inventories		29,150	
Change in landfill closure/postclosure liability		(4,103,478)	(4,142,068)
<b>Change in Net Assets of Governmental Activities (Exhibit 2)</b>			<b><u>\$ 9,796,255</u></b>

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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, 2009**

	<b>County Cemetery Investment Trust Fund</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 29,331	\$ 1,395,149
Receivables		
Accrued interest	257	-
	<b>\$ 29,588</b>	<b>\$ 1,395,149</b>
<b><u>Liabilities</u></b>		
Due to other governments	\$ -	\$ 1,395,149
<b><u>Net Assets</u></b>		
Net assets, held in trust for perpetual care - expendable	<b>\$ 29,588</b>	

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT 8*

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
COUNTY CEMETERY INVESTMENT TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u><b>Additions</b></u>	
Investment earnings	
Interest	\$ 544
Miscellaneous	<u>150</u>
<b>Total investment earnings</b>	<b>\$ 694</b>
<u><b>Deductions</b></u>	
Payments in accordance with trust agreements	<u>870</u>
<b>Change in net assets</b>	<b>\$ (175)</b>
<b>Net Assets - January 1</b>	<u><b>29,763</b></u>
<b>Net Assets - December 31</b>	<u><b>\$ 29,588</b></u>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

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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, 2009. 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 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**

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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 several 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**

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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**

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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 was provided by the sale of solid waste bonds and a grant from the State of Minnesota under the capital assistance program.

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

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.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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.

The 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**

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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, 2009, 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 2009 were \$203,776.

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**

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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 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 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**

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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**

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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**

1. Summary of Significant Accounting Policies (Continued)

E. Restatement of Net Assets

1. Prior Period Adjustment of the Long-Term Debt of Governmental Activities

The January 1, 2009, loans payable balance was increased, and the net assets balance was decreased by \$1,617,484 to reflect a restatement of loans payable. The restatement included the addition of a loan from the City of New London that had not previously been included in the County's long-term debt. The restatement also included an adjustment of the loan balances owed to the Minnesota Pollution Control Agency relating to the Hawk Creek Clean Water Partnership, Shakopee Creek Clean Water Partnership, and the Crow River Basin Clean Water Partnership.

Balance, January 1, 2009, as previously reported	\$	78,344,678
Prior period adjustment for correction to loans payable		
Addition of City of New London Debt	\$	1,802,000
Adjustment to the Hawk Creek Clean Water Partnership, Shakopee Creek Clean Water Partnership, and Crow River Basin Partnership		(184,516)
Net Effect on Loans Payable		1,617,484
Balance, January 1, 2009, as restated	\$	79,962,162

2. Prior Period Adjustment of the Net Assets in the Statement of Activities

The adjustment of the January 1, 2009, long-term debt of the governmental activities resulted in an adjustment of the January 1, 2009, net assets balance of the governmental activities in the Statement of Activities.

Balance, January 1, 2009, as previously reported	\$	131,731,400
Prior period adjustment for correction to loans payable		
Addition of City of New London Debt	\$	(1,802,000)
Adjustment to the Hawk Creek Clean Water Partnership, Shakopee Creek Clean Water Partnership, and Crow River Basin Partnership		184,516
Net Effect on Net Assets		(1,617,484)
Balance, January 1, 2009, as restated	\$	130,113,916

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Ditch Fund

Forty-three of 108 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, 2009:

Account balances		\$	466,307
Account deficits			(399,931)
Fund Balance		\$	66,376

Regional Treatment Center Fund

At December 31, 2009, the Regional Treatment Center Special Revenue Fund had a deficit fund balance of \$229,432. This deficit is expected to be eliminated through the collection of future lease payments 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, 2009:

	Expenditures	Final Budget	Excess
General Fund	\$ 24,961,857	\$ 24,338,117	\$ 623,740
Special Revenue Funds			
Road and Bridge	13,873,842	11,607,000	2,266,842
Human Services	13,732,875	13,547,300	185,575
Capital Equipment	642,638	-	642,638
Green Lake Sewer	1,026,928	987,000	39,928

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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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	\$ 45,993,497
Statement of fiduciary net assets	
Cash and pooled investments	<u>1,424,480</u>
 Total Cash and Investments	 <u>\$ 47,417,977</u>

a. Deposits

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

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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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, 2009, \$2,659,058 of the County's bank balances of \$10,393,463 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>2,659,058</u>
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b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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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, 2009, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration on Risk Percent (%) of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. government securities					
Federal Farm Credit Bank	Aaa	Moody's	5.4%	04/26/2022	\$ 2,027,438
Federal Home Loan Bank	Aaa	Moody's		02/03/2011	\$ 250,178
Federal Home Loan Bank	Aaa	Moody's		12/29/2011	501,330
Federal Home Loan Bank	Aaa	Moody's		06/25/2012	168,797
Federal Home Loan Bank	Aaa	Moody's		02/19/2013	1,004,210
Federal Home Loan Bank	Aaa	Moody's		06/30/2014	201,828
Federal Home Loan Bank	Aaa	Moody's		10/15/2014	1,800,644
Federal Home Loan Bank	Aaa	Moody's		06/29/2016	161,741
Federal Home Loan Bank	Aaa	Moody's		12/23/2019	500,000
Federal Home Loan Bank	Aaa	Moody's		08/12/2024	1,451,520
Total Federal Home Loan Bank			16.1%		\$ 6,040,248
Federal National Mortgage Association	Aaa	Moody's		12/01/2031	\$ 8,824
Federal National Mortgage Association	Aaa	Moody's		01/19/2010	100,209
Federal National Mortgage Association	Aaa	Moody's		10/01/2028	11,608
Federal National Mortgage Association	Aaa	Moody's		02/21/2023	100,462
Federal National Mortgage Association	Aaa	Moody's		03/30/2012	551,589
Federal National Mortgage Association	Aaa	Moody's		02/20/2024	994,210
Federal National Mortgage Association	Aaa	Moody's		06/18/2024	191,882
Federal National Mortgage Association	Aaa	Moody's		11/18/2024	388,888
Federal National Mortgage Association	Aaa	Moody's		06/07/2027	3,373,942
Federal National Mortgage Association	Aaa	Moody's		06/15/2027	107,613
Total Federal National Mortgage Association			15.5%		\$ 5,829,227

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentrati on Risk Percent (%) of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Federal Home Loan Mortgage Corporation	Aaa	Moody's		04/29/2013	\$ 501,030
Federal Home Loan Mortgage Corporation	Aaa	Moody's		03/25/2019	2,012,482
Federal Home Loan Mortgage Corporation	Aaa	Moody's		08/15/2019	200,454
Federal Home Loan Mortgage Corporation	Aaa	Moody's		03/12/2024	2,008,132
Federal Home Loan Mortgage Corporation	Aaa	Moody's		04/17/2024	4,171,684
Federal Home Loan Mortgage Corporation	Aaa	Moody's		09/15/2024	236,207
Total Federal Home Loan Mortgage Corporation			24.3%		\$ 9,129,989
Total U.S. government securities					\$ 23,026,902
Investment pools					
MAGIC Fund	N/A	N/A	N/A	N/A	14,472,222
Total investments					\$ 37,499,124
Checking					3,016,853
Savings					5,752,711
Money market					4,511
Certificates of deposit					1,110,657
Departmental cash					31,606
Petty cash					2,515
Total Cash and Investments					\$ 47,417,977

N/A - Not Applicable

N/R - Not Rated

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

2. Receivables

Receivables as of December 31, 2009, 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	\$ 559,632	\$ -
Special assessments	17,517,451	14,260,146
Accounts	884,141	-
Accrued interest	198,540	-
Loans	4,638,607	4,290,006
Due from other governments	2,673,851	-
Long-term	237,999	219,327
 Total gross receivables	 \$ 26,710,221	 \$ 18,769,479
 Less: allowance for uncollectibles	 (257,308)	
 Total Net Receivables	 \$ 26,452,913	

Long-Term Receivable

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. This long-term receivable is reported in the County Building Special Revenue Fund.

**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, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,987,883	\$ 201,247	\$ -	\$ 5,189,130
Construction in progress	19,628,475	13,090,702	14,157,951	18,561,226
Total capital assets not depreciated	\$ 24,616,358	\$ 13,291,949	\$ 14,157,951	\$ 23,750,356
Capital assets depreciated				
Landfill	\$ 3,239,593	\$ 708,537	\$ -	\$ 3,948,130
Buildings	43,185,858	939,900	2,500	44,123,258
Machinery, vehicles, furniture, and equipment	12,197,947	779,695	574,137	12,403,505
Infrastructure	89,596,304	13,619,843	-	103,216,147
Total capital assets depreciated	\$ 148,219,702	\$ 16,047,975	\$ 576,637	\$ 163,691,040
Less: accumulated depreciation for				
Landfill	\$ 827,888	\$ 79,263	\$ -	\$ 907,151
Buildings	8,352,875	895,340	1,566	9,246,649
Machinery, vehicles, furniture, and equipment	7,341,150	939,289	325,493	7,954,946
Infrastructure	15,955,937	2,062,419	-	18,018,356
Total accumulated depreciation	\$ 32,477,850	\$ 3,976,311	\$ 327,059	\$ 36,127,102
Total capital assets depreciated, net	\$ 115,741,852	\$ 12,071,664	\$ 249,578	\$ 127,563,938
Governmental Activities Capital Assets, Net	\$ 140,358,210	\$ 25,363,613	\$ 14,407,529	\$ 151,314,294

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

Governmental Activities	
General government	\$ 506,507
Public safety	588,023
Highways and streets, including depreciation of infrastructure assets	1,820,248
Sanitation	845,595
Human services	18,084
Health	4,828
Culture and recreation	18,931
Conservation of natural resources	174,095
Total Depreciation Expense - Governmental Activities	\$ 3,976,311

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General	Road and Bridge	\$ 1,457	Charges for services rendered and supplies provided
	Human Services	16,683	Charges for services rendered and supplies provided
	Sanitary Landfill	1,447	Charges for services rendered and supplies provided
	Other governmental	<u>2,586</u>	Charges for services rendered and supplies provided
Total due to General Fund		<u>\$ 22,173</u>	
Road and Bridge	General	\$ 33,084	Charges for services rendered
	Sanitary Landfill	5,865	Charges for services rendered
	Other governmental	<u>2,215</u>	Charges for services rendered
Total due to Road and Bridge Fund		<u>\$ 41,164</u>	
Capital Projects	General	\$ 1,840	Expenses miscoded
	County Building	<u>1,425,850</u>	Construction of buildings
Total due to Capital Projects Fund		<u>\$ 1,427,690</u>	
Other governmental	Road and Bridge	\$ 15,557	Ditch special assessments
	Road and Bridge	30,398	Charges for services rendered
	Capital Projects	<u>175,000</u>	Charges for services rendered
Total due to other governmental funds		<u>\$ 220,955</u>	
Total Due To/From Other Funds		<u><u>\$ 1,711,982</u></u>	

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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3. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

Transfer to General Fund from		
Sanitary Landfill Fund	\$ 1,434,650	Provide funds for operations
Human Services Fund	<u>1,100,000</u>	Provide funds for operations
Total General Fund transfers	<u>\$ 2,534,650</u>	
Transfers to Debt Service Fund from		
other governmental funds	<u>\$ 756,085</u>	Provide funds for debt service
Transfers to Capital Projects Fund from		
County Building Fund	<u>\$ 1,425,850</u>	Provide funds for capital projects
Transfers to other governmental funds from		
Sanitary Landfill Fund	\$ 100,000	Provide funds for operations
County Building Fund	500,000	Provide funds for operations
Debt Service Fund	<u>207,581</u>	Provide funds for operations
Total nonmajor funds transfers	<u>\$ 807,581</u>	
Total Interfund Transfers	<u>\$ 5,524,166</u>	

C. Liabilities

1. Payables

Payables at December 31, 2009, were as follows:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Accounts	\$ 1,157,398	\$ -
Salaries	1,167,788	-
Contracts	7,744	-
Retainage	280,726	-
Due to other governments	<u>752,203</u>	<u>1,395,149</u>
Total Payables	<u>\$ 3,365,859</u>	<u>\$ 1,395,149</u>

**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 \$430 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 20 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2009, the County expended \$91,870 for these benefits.

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2009
General Obligation Bonds					
2000 G.O. Solid Waste Refunding Bonds	2011	\$225,000 - \$290,000	4.30 - 4.70	\$ 2,560,000	\$ 520,000
2004 Taxable G.O. Tax Abatement Bonds	2022	\$270,000 - \$540,000	3.125 - 5.30	6,135,000	5,295,000
2004 G.O. Law Enforcement Facility Refunding Bonds	2021	\$385,000 - \$1,340,000	3.375 - 4.15	7,045,000	6,660,000
2005 G.O. Road Reconstruction Bonds	2027	\$125,000 - \$270,000	3.75 - 4.25	3,700,000	3,445,000
2007 G.O. Law Enforcement Facility Refunding Bonds	2020	\$435,000 - \$695,000	4.00	7,100,000	6,225,000
2008 G.O. Capital Equipment Bonds	2016	\$40,000 - \$510,000	3.00 - 4.80	3,550,000	3,550,000
2009A Capital Improvement Bonds	2016	\$490,000 - \$615,000	2.00 - 3.00	4,010,000	4,010,000
2009B State Aid Highway Refunding Bonds	2014	\$265,000 - \$285,000	2.00 - 2.25	1,365,000	1,365,000
Total General Obligation Bonds				<u>\$ 35,465,000</u>	<u>\$ 31,070,000</u>
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	\$ 4,890,000
2002A Green Lake Sewer and Water Revenue Bonds	2023	\$15,000 - \$80,000	3.50 - 4.85	1,000,000	800,000
2008 G.O. Wastewater Revenue Bonds	2030	\$215,000 - \$425,000	3.00 - 4.80	6,100,000	6,100,000
Total Special Assessment Bonds with Government Commitment				<u>\$ 13,100,000</u>	<u>\$ 11,790,000</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, 2009
Capital Leases with Government Commitment 16-Bed Community Behavioral Health Hospital	2018	\$148,415 - \$227,959	4.57	\$ 3,710,000	\$ 3,409,780
2000 Public Facilities Authority Clean Water G.O. Revenue Note	2020	\$6,397 - \$455,000	2.25	\$ 7,188,360	\$ 4,488,000
2001 Public Facilities Authority Clean Water G.O. Revenue Note	2021	\$3,344 - \$228,000	2.25	3,648,450	2,425,000
2002 Public Facilities Authority Clean Water G.O. Revenue Note	2021	\$567 - \$40,000	2.14	651,000	431,000
2006A Public Facilities Authority Clean Water G.O. Revenue Note	2026	\$178,876 - \$216,000	1.00	3,761,876	3,400,000
1999 Public Facilities Authority Drinking Water G.O. Revenue Note	2019	\$6,027 - \$313,000	3.54	4,446,000	2,689,000
2000 Public Facilities Authority Drinking Water G.O. Revenue Note	2019	\$3,054 - \$158,450	3.54	2,262,450	1,362,450
2001 Public Facilities Authority Drinking Water G.O. Revenue Note	2020	\$1,409 - \$70,000	3.54	1,012,260	652,000
2002 Public Facilities Authority Drinking Water G.O. Revenue Note	2021	\$333 - \$16,000	3.54	233,000	159,000
2006B Public Facilities Authority Wastewater Infrastructure G.O. Revenue Note	2032	\$9,124 - \$109,000	0.00	1,208,124	1,208,124
Hawk Creek Watershed Clean Water Partnership Project	2014	\$8,599	2.00	155,169	73,656
Hawk Creek Watershed Continuation Clean Water Partnership Project	2016	\$17,027	2.00	307,260	221,413
Shakopee Creek Watershed Clean Water Partnership Project	2015	\$12,907	2.00	232,906	133,811
Hawk Creek Watershed Continuation Clean Water Partnership Project*	2020	\$26,804	2.00	379,967	379,967
Shakopee Creek Watershed Continuation Clean Water Partnership Project	2018	\$11,515	2.00	207,794	188,825
Crow River Basin Clean Water Partnership Project*	2021	\$15,791	2.00	274,592	274,592
Shakopee Creek Watershed Continuation Clean Water Partnership Project*	2021	\$14,408	2.00	47,408	47,408
Boiler Replacement Loan	2012	\$9,233	5.00	870,000	653,323
City of New London USDA Rural Development	2042	\$19,800 - \$97,000	4.375	1,884,800	1,779,000
Total Loans Payable				<u>\$ 28,771,416</u>	<u>\$ 20,566,569</u>

\*The outstanding balance for these loans represents the amount received from the Minnesota Pollution Control Agency as of December 31, 2009. The County has not finished drawing down funds on these loans; therefore, final debt payment schedules are not available. The payment schedule below does not include the debt service requirements on these loans.

**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, 2009
2000 Paving Special Assessments	2010	\$517 - \$796	7.25	\$ 4,819	\$ 481

4. Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

Year Ending December 31	General Obligation Bonds		Special Assessment Bonds		Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,770,000	\$ 1,140,224	\$ 320,000	\$ 514,985	\$ 1,356,138	\$ 491,695
2011	2,910,000	1,045,447	555,000	498,442	1,383,877	455,456
2012	2,735,000	950,567	575,000	477,200	1,836,197	395,963
2013	2,815,000	857,457	595,000	454,398	1,374,604	362,274
2014	2,910,000	758,756	620,000	429,934	1,400,886	327,805
2015 - 2019	10,280,000	2,348,039	3,535,000	1,715,030	7,259,776	1,095,159
2020 - 2024	5,880,000	509,789	3,265,000	869,169	2,323,000	394,497
2025 - 2029	770,000	50,028	1,900,000	336,364	1,330,000	268,872
2030 - 2034	-	-	425,000	10,200	858,124	203,528
2035 - 2039	-	-	-	-	377,000	129,832
2040 - 2044	-	-	-	-	365,000	40,755
<b>Total</b>	<b>\$ 31,070,000</b>	<b>\$ 7,660,307</b>	<b>\$ 11,790,000</b>	<b>\$ 5,305,722</b>	<b>\$ 19,864,602</b>	<b>\$ 4,165,836</b>

Year Ending December 31	Paving Special Assessments		Capital Leases	
	Principal	Interest	Principal	Interest
2010	\$ 481	\$ 35	\$ 314,093	\$ 152,240
2011	-	-	328,607	137,726
2012	-	-	343,792	122,541
2013	-	-	359,679	106,654
2014	-	-	376,300	90,033
2015 - 2019	-	-	1,687,309	178,022
<b>Total</b>	<b>\$ 481</b>	<b>\$ 35</b>	<b>\$ 3,409,780</b>	<b>\$ 787,216</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance (as Restated)	Additions	Reductions	Ending Balance	Due Within One Year
<b>Bonds payable</b>					
Installment purchase obligation	\$ 5,050,000	\$ -	\$ 5,050,000	\$ -	\$ -
General obligation bonds	28,750,000	5,375,000	3,055,000	31,070,000	2,770,000
Special assessment debt with government commitment	12,100,000	-	310,000	11,790,000	320,000
Deferred (discount)/premiums	(102,239)	63,372	18,601	(57,468)	8,083
<b>Total bonds payable</b>	<b>\$ 45,797,761</b>	<b>\$ 5,438,372</b>	<b>\$ 8,433,601</b>	<b>\$ 42,802,532</b>	<b>\$ 3,098,083</b>
Paving special assessments	2,386	-	1,905	481	481
Capital lease	3,710,000	-	300,220	3,409,780	314,093
Loans payable	21,595,646	292,120	1,321,197	20,566,569	1,356,138
Estimated liability for landfill closure/postclosure	5,624,101	4,103,478	-	9,727,579	-
Compensated absences	3,232,268	273,619	16,198	3,489,689	50,706
<b>Governmental Activities Long-Term Liabilities</b>	<b>\$ 79,962,162</b>	<b>\$ 10,107,589</b>	<b>\$ 10,073,121</b>	<b>\$ 79,996,630</b>	<b>\$ 4,819,501</b>

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

General	\$ 86,442
Road and Bridge	365,000
Road and Bridge (Escrow Account)	1,335,000
Sanitary Landfill/Recycling Center	240,000
County Building	1,905
Debt Service	3,119,000
Debt Service (Escrow Account)	4,515,000
Other governmental funds	375,975
<b>Total Debt Reductions</b>	<b>\$ 10,038,322</b>

6. Current Refundings

On August 18, 2009, the County issued \$4,010,000 G.O. Capital Improvement Bonds, Series 2009A, with an average interest rate of 2.00 to 3.00 percent to redeem \$6,985,000 of outstanding Refunding Certificates of Participation, Series 1998, with an average interest rate of 4.20 to 4.80 percent. The net

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

6. Current Refundings (Continued)

proceeds of the Series 2009A bonds were used to redeem the Series 1998 bonds on September 15, 2009. The County refunded the Series 1998 bonds to obtain an economic gain (difference between present value of the debt service payments on the old and new debt) of \$869,877.

In addition, on August 18, 2009, the County issued \$1,365,000 G.O. State Aid Highway Refunding Bonds, Series 2009B, with an average interest rate of 2.00 to 2.25 percent to refund \$3,250,000 of outstanding G.O. State-Aid Highway Bonds, Series 1999, with an average interest rate of 4.10 to 4.125 percent. The net proceeds of the Series 2009B bonds were used to refund the Series 1999 bonds on September 15, 2009. The County refunded the Series 1999 bonds to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$66,072.

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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.

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. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not 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](http://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.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. 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 are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. 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 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 1,071,007	\$ 991,582	\$ 907,939
Public Employees Police and Fire Fund	320,650	291,070	233,459
Public Employees Correctional Fund	194,191	193,764	181,918

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

B. Other Postemployment Benefits (OPEB)

Plan Description

In addition to the pension benefits described in Note 4.A., the County at times has provided other postemployment health care benefits for retired employees as stated in Note 3.C.2. The authority to provide these benefits is established in Minn. Stat. § 471.61, subd. 2a.

The contribution requirements of the plan members and the County are established and may be amended by the Kandiyohi County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Early retirees (under age 65) contribute to the health care plan at the same rate as active employees. This results in the early retirees receiving an implicit rate subsidy. For fiscal year 2009, the County contributed \$160,526 to the plan; there were 430 participants in the plan.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	132,480
Interest on net OPEB obligation		(1,424)
Amortization of net OPEB obligation		1,900
		1,900
Annual OPEB cost (expense)	\$	132,956
Contributions made		(160,526)
		(160,526)
Increase (Decrease) in net OPEB obligation	\$	(27,570)
Net OPEB Obligation/(Asset) - Beginning of Year		(31,638)
		(31,638)
Net OPEB Obligation/(Asset) - End of Year	\$	(59,208)
		(59,208)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the preceding year was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
December 31, 2008	\$ 132,480	\$ 164,118	123.9%	\$ (31,638)
December 31, 2009	132,956	160,526	120.7%	(59,208)

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial liability for benefits was \$1,343,799, and the actuarial valuation of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,343,799. The covered payroll (annual payroll of active employees covered by the plan) was \$19,339,847, and the ratio of the UAAL to the covered payroll was 6.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of the benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of administrative expenses), which is Kandiyohi County's implicit rate of return on the General Fund, and an annual health care cost trend cost of nine percent initially, reduced by decrements to an ultimate rate of five percent after nine years.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

Both rates included a 4.5 percent inflation assumption. The actuarial value of assets is set equal to the market value of assets. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2009, was 28 years.

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 \$9,727,579 with no remaining capacity to be filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2009. 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, 2009, cash and investments of \$5,080,681 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.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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

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 Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. 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 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.

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 \$430,000 per claim in 2009 and \$450,000 in 2010. 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 \$34 per month for each participating employee in 2009. 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.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

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, 2009 and 2008. The following discloses the claims activity during fiscal years 2008 and 2009.

	Year Ended December 31	
	2008	2009
Beginning liability	\$ -	\$ -
Current year claims	246,987	216,346
Claim payments	(246,987)	(216,346)
End-of-Year Liability	\$ -	\$ -

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 Youth Program provides detention services to juveniles under the

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

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

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.

At December 31, 2009, the Youth Program had long-term debt of \$429,926. This debt consisted of \$182,274 related to compensated absences, \$238,000 for a contract for deed and \$9,652 for a boiler loan. 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.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Minnesota River Board (Continued)

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.

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 Lincoln, Lyon, & Murray Human Services, 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.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium (Continued)

The following is a summary of the Consortium's annual financial report for the year ended December 31, 2009:

Total Assets	\$ 2,304,308
Total Liabilities	327,637
Total Net Assets	1,976,671
Total Revenues	4,271,686
Total Expenditures/Expenses	4,327,451
Increase (Decrease) in Net Assets	(55,765)

The Consortium reported no long-term obligations at December 31, 2009.

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.

Central Minnesota Regional Radio Board

Kandiyohi County entered into a joint powers agreement with Benton, Big Stone, Douglas, Grant, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Swift, Todd, Traverse, Wadena, Wilkin, and Wright Counties for the activities of a Regional Radio System. The Joint Powers Board is comprised of one county commissioner for each county. This agreement is entered into by the parties to this

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Regional Radio Board (Continued)

agreement pursuant to the authority conferred upon the parties by Minn. Stat. §§ 403.39 and 471.59 for the purpose of providing regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota. With that objective in mind, the parties to the agreement wish to collectively prepare and administer a plan which provides for the installation, operation, and maintenance of local and regional enhancements to the ARMER. This agreement may be utilized to provide joint purchase of common individual equipment needs. Joint purchases may occur when it is determined that standardization of equipment is in the best interests of the parties to this agreement or when other advantages might be achieved by joint purchases. The City of St. Cloud is the fiscal agent for the Central Minnesota Regional Radio Board.

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 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.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

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 the Collaborative.

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, 333 Litchfield Avenue S.W., Suite 100, P. O. Box 1783, Willmar, Minnesota 56201.

F. Subsequent Events

The Board of County Commissioners, in its meeting on May 21, 2010, approved motions to award a bond sale of \$6,245,000 General Obligation Sewer Revenue Bonds, Series 2010A, and \$4,215,000 General Obligation Sewer and Water Revenue Refunding Bonds, Series 2010B.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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6. Kandiyohi County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies

The HRA is reporting as of and for the year ended June 30, 2009.

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. Capital Assets

Capital assets 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.

C. Bond Issuance Costs

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

D. Deposits and Investments

The HRA's cash and investments as of June 30, 2009, are summarized as follows:

Unrestricted		
Cash on deposit	\$	259,598
Investments (certificates of deposit)		455,321
Restricted		
Cash on deposit		69,219
Investments (certificates of deposit)		<u>50,000</u>
Total	\$	<u>834,138</u>

In accordance with Minnesota statutes, the HRA maintains deposits at depository banks authorized by the Board. The carrying amount of the HRA's deposits with financial institutions was \$834,138 as of June 30, 2009; the bank balance was \$853,930. Of the bank balance, \$267,591 was covered by federal depository insurance and the remainder was covered by qualified collateral held in safekeeping.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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6. Kandiyohi County Housing and Redevelopment Authority (HRA)

D. Deposits and Investments (Continued)

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, 2009.

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;
- (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.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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

E. Receivables

Receivables for the HRA at June 30, 2009, were as follows:

Accounts	\$	22,933
Accrued interest		8,906
Taxes		122,887
Notes		96,779
		251,505
Total Receivables	\$	251,505

F. Capital Assets

The HRA's capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 58,916	\$ -	\$ -	\$ 58,916
Landscaping	23,443	-	-	23,443
	\$ 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
	\$ 1,428,445	\$ -	\$ -	\$ 1,428,445
Less: accumulated depreciation	372,200	40,354	-	412,554
	\$ 1,056,245	\$ (40,354)	\$ -	\$ 1,015,891
Total capital assets, depreciated, net	\$ 1,056,245	\$ (40,354)	\$ -	\$ 1,015,891
Total Capital Assets, Net	\$ 1,138,604	\$ (40,354)	\$ -	\$ 1,098,250

Depreciation expense of \$40,354 was charged to housing and redevelopment expense.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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

G. Payables

Payables for the HRA at June 30, 2009, were as follows:

Accounts	\$ 67,853
Accrued payroll and payroll taxes	30,210
Due to other governmental units	1,150
Other accrued liabilities	<u>7,783</u>
Total	<u>\$ 106,996</u>

H. 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.

I. Long-Term Debt

Long-term debt outstanding at June 30, 2009, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Interest Rate (%)	Original Issue Amount	Remaining Commitment
Essential Function Housing Development Bond of 1997	2030	5.25 - 8.75	\$ 1,530,000	\$ 1,303,605

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

I. Long-Term Debt (Continued)

The estimated debt service requirements as of June 30, 2009, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 32,411	\$ 64,840	\$ 97,251
2011	34,070	63,181	97,251
2012	35,813	61,438	97,251
2013	37,645	59,606	97,251
2014	39,571	57,680	97,251
2015 - 2019	230,375	255,882	486,257
2020 - 2024	295,654	190,603	486,257
2025 - 2029	379,430	106,827	486,257
2030 - 2032	225,471	15,877	241,348
Total	\$ 1,310,440	\$ 875,934	\$ 2,186,374

J. 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, 2008, 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 \$1,647.

Under the shared services agreement with the Willmar HRA, the City of Willmar, Minnesota, Kandiyohi HRA will pay 44 percent, and Willmar HRA will pay 56 percent of the aforementioned lease agreement in addition to other cost-shared services. Total HRA rental expense for the year ended June 30, 2009, totaled \$17,148.

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

<u>Year Ending</u>	<u>Amount</u>
2010	\$ 19,764
2011	20,612
2012	21,036
2013	7,012
Total	\$ 68,424

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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

K. 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.

L. Contingencies

The HRA receives grant funds, principally from the U.S. Department of Housing and Urban Development (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.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*Schedule 1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 11,757,194	\$ 11,757,194	\$ 11,698,070	\$ (59,124)
Special assessments	44,400	44,400	179,098	134,698
Licenses and permits	350,700	350,700	374,707	24,007
Intergovernmental	4,394,474	4,394,474	4,875,351	480,877
Charges for services	4,843,236	4,843,236	3,970,920	(872,316)
Gifts and contributions	100	100	4,747	4,647
Investment earnings	650,000	650,000	208,148	(441,852)
Miscellaneous	438,400	438,400	1,042,588	604,188
<b>Total Revenues</b>	<b>\$ 22,478,504</b>	<b>\$ 22,478,504</b>	<b>\$ 22,353,629</b>	<b>\$ (124,875)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 350,200	\$ 350,200	\$ 326,048	\$ 24,152
Courts	30,000	30,000	28,320	1,680
Law library	100,000	100,000	50,699	49,301
County administrator	352,700	352,700	325,582	27,118
County auditor	1,160,050	1,160,050	1,132,028	28,022
County assessor	447,800	447,800	409,565	38,235
Elections	4,000	4,000	4,318	(318)
Records management	65,600	65,600	59,081	6,519
Data processing	1,401,750	1,401,750	753,034	648,716
Attorney	1,115,400	1,115,400	1,121,463	(6,063)
Recorder	455,800	455,800	527,647	(71,847)
Surveyor	64,000	64,000	54,772	9,228
Planning and zoning	485,400	485,400	771,969	(286,569)
Buildings and plant	546,800	546,800	492,110	54,690
Veterans service officer	178,500	178,500	207,274	(28,774)
Other general government	600,400	600,400	1,354,826	(754,426)
<b>Total general government</b>	<b>\$ 7,358,400</b>	<b>\$ 7,358,400</b>	<b>\$ 7,618,736</b>	<b>\$ (260,336)</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 5,540,181	\$ 5,540,181	\$ 6,557,817	\$ (1,017,636)
Boat and water safety	49,950	49,950	31,806	18,144
Coroner	46,000	46,000	37,311	8,689
E-911 system	-	-	103,794	(103,794)
County jail	4,490,408	4,490,408	3,745,038	745,370
Law enforcement center	722,200	722,200	664,381	57,819
Community corrections	2,252,500	2,252,500	2,196,736	55,764
Civil defense	225,100	225,100	205,948	19,152
Other	60,000	60,000	70,274	(10,274)
<b>Total public safety</b>	<b>\$ 13,386,339</b>	<b>\$ 13,386,339</b>	<b>\$ 13,613,105</b>	<b>\$ (226,766)</b>
<b>Health</b>				
Nursing service	<b>\$ 2,411,100</b>	<b>\$ 2,411,100</b>	<b>\$ 2,347,304</b>	<b>\$ 63,796</b>
<b>Culture and recreation</b>				
Historical society	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Parks	328,400	328,400	299,240	29,160
Other	29,000	29,000	28,063	937
<b>Total culture and recreation</b>	<b>\$ 417,400</b>	<b>\$ 417,400</b>	<b>\$ 387,303</b>	<b>\$ 30,097</b>
<b>Conservation of natural resources</b>				
County extension	\$ 193,778	\$ 193,778	\$ 186,820	\$ 6,958
Soil and water conservation	128,600	128,600	128,600	-
Agricultural inspections	85,700	85,700	77,257	8,443
Agricultural society/County fair	18,000	18,000	18,000	-
Water planning	61,100	61,100	59,421	1,679
Environmental services	69,100	69,100	45,926	23,174
Land use	7,700	7,700	3,976	3,724
Other	184,400	184,400	224,694	(40,294)
<b>Total conservation of natural resources</b>	<b>\$ 748,378</b>	<b>\$ 748,378</b>	<b>\$ 744,694</b>	<b>\$ 3,684</b>
<b>Economic development</b>				
Community development	<b>\$ 16,500</b>	<b>\$ 16,500</b>	<b>\$ 18,292</b>	<b>\$ (1,792)</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 86,442	\$ (86,442)
Interest	-	-	145,080	(145,080)
Administrative (fiscal) charges	-	-	901	(901)
<b>Total Expenditures</b>	<b><u>\$ 24,338,117</u></b>	<b><u>\$ 24,338,117</u></b>	<b><u>\$ 24,961,857</u></b>	<b><u>\$ (623,740)</u></b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b><u>\$ (1,859,613)</u></b>	<b><u>\$ (1,859,613)</u></b>	<b><u>\$ (2,608,228)</u></b>	<b><u>\$ (748,615)</u></b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 1,416,750	\$ 1,416,750	\$ 2,534,650	\$ 1,117,900
Loans issued	1,500	1,500	292,120	290,620
Sale of capital assets	-	-	1,338	1,338
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$ 1,418,250</u></b>	<b><u>\$ 1,418,250</u></b>	<b><u>\$ 2,828,108</u></b>	<b><u>\$ 1,409,858</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ (441,363)</u></b>	<b><u>\$ (441,363)</u></b>	<b><u>\$ 219,880</u></b>	<b><u>\$ 661,243</u></b>
<b>Fund Balance - January 1</b>	<b><u>11,308,450</u></b>	<b><u>11,308,450</u></b>	<b><u>11,308,450</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 10,867,087</u></u></b>	<b><u><u>\$ 10,867,087</u></u></b>	<b><u><u>\$ 11,528,330</u></u></b>	<b><u><u>\$ 661,243</u></u></b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,460,793	\$ 3,460,793	\$ 3,404,940	\$ (55,853)
Special assessments	-	-	5,638	5,638
Intergovernmental	7,676,207	7,676,207	9,876,649	2,200,442
Charges for services	370,000	370,000	496,895	126,895
Investment earnings	100,000	100,000	94,528	(5,472)
<b>Total Revenues</b>	<b>\$ 11,607,000</b>	<b>\$ 11,607,000</b>	<b>\$ 13,878,650</b>	<b>\$ 2,271,650</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ -	\$ -	\$ 705,972	\$ (705,972)
Maintenance	3,997,000	3,997,000	2,129,388	1,867,612
Construction	6,956,000	6,956,000	9,411,797	(2,455,797)
Equipment maintenance and shop	325,000	325,000	770,744	(445,744)
<b>Total highways and streets</b>	<b>\$ 11,278,000</b>	<b>\$ 11,278,000</b>	<b>\$ 13,017,901</b>	<b>\$ (1,739,901)</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	282,241	(282,241)
<b>Debt service</b>				
Principal	-	-	365,000	(365,000)
Interest	329,000	329,000	196,696	132,304
Bond issuance costs	-	-	12,004	(12,004)
<b>Total Expenditures</b>	<b>\$ 11,607,000</b>	<b>\$ 11,607,000</b>	<b>\$ 13,873,842</b>	<b>\$ (2,266,842)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,808</b>	<b>\$ 4,808</b>
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	\$ -	\$ -	\$ 1,365,000	\$ 1,365,000
Payment to refunded bond escrow agent	-	-	(1,335,000)	(1,335,000)
Premium on bonds issued	-	-	11,922	11,922
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,922</b>	<b>\$ 41,922</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,730</b>	<b>\$ 46,730</b>
<b>Fund Balance - January 1</b>	<b>5,594,900</b>	<b>5,594,900</b>	<b>5,594,900</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>29,150</b>	<b>29,150</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,594,900</b>	<b>\$ 5,594,900</b>	<b>\$ 5,670,780</b>	<b>\$ 75,880</b>

The notes to the required supplementary information are an integral part of this schedule.

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,294,420	\$ 5,294,420	\$ 5,210,803	\$ (83,617)
Intergovernmental	7,337,880	7,337,880	7,493,215	155,335
Charges for services	771,100	771,100	578,097	(193,003)
Miscellaneous	143,900	143,900	250,811	106,911
<b>Total Revenues</b>	<b>\$ 13,547,300</b>	<b>\$ 13,547,300</b>	<b>\$ 13,532,926</b>	<b>\$ (14,374)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 3,385,206	\$ 3,385,206	\$ 3,493,013	\$ (107,807)
Social services	10,162,094	10,162,094	10,239,862	(77,768)
<b>Total Expenditures</b>	<b>\$ 13,547,300</b>	<b>\$ 13,547,300</b>	<b>\$ 13,732,875</b>	<b>\$ (185,575)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (199,949)</b>	<b>\$ (199,949)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(1,100,000)	(1,100,000)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,299,949)</b>	<b>\$ (1,299,949)</b>
<b>Fund Balance - January 1</b>	<b>7,608,293</b>	<b>7,608,293</b>	<b>7,608,293</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 7,608,293</b>	<b>\$ 7,608,293</b>	<b>\$ 6,308,344</b>	<b>\$ (1,299,949)</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**Schedule 4**

**BUDGETARY COMPARISON SCHEDULE  
SANITARY LANDFILL/RECYCLING CENTER SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 910,000	\$ 910,000	\$ 913,281	\$ 3,281
Licenses and permits	700	700	710	10
Intergovernmental	143,900	143,900	144,269	369
Charges for services	1,748,600	1,748,600	2,081,075	332,475
Investment earnings	150,000	150,000	312,855	162,855
Miscellaneous	350,000	350,000	479,332	129,332
<b>Total Revenues</b>	<b>\$ 3,303,200</b>	<b>\$ 3,303,200</b>	<b>\$ 3,931,522</b>	<b>\$ 628,322</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 2,645,550	\$ 2,645,550	\$ 2,807,754	\$ (162,204)
<b>Capital outlay</b>				
Sanitation	992,000	992,000	-	992,000
<b>Debt service</b>				
Principal	240,000	240,000	240,000	-
Interest	30,000	30,000	29,709	291
Administrative (fiscal) charges	1,000	1,000	431	569
<b>Total Expenditures</b>	<b>\$ 3,908,550</b>	<b>\$ 3,908,550</b>	<b>\$ 3,077,894</b>	<b>\$ 830,656</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (605,350)</b>	<b>\$ (605,350)</b>	<b>\$ 853,628</b>	<b>\$ 1,458,978</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 190,000	\$ 190,000	\$ -	\$ (190,000)
Transfers out	(320,000)	(320,000)	(1,534,650)	(1,214,650)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (130,000)</b>	<b>\$ (130,000)</b>	<b>\$ (1,534,650)</b>	<b>\$ (1,404,650)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (735,350)</b>	<b>\$ (735,350)</b>	<b>\$ (681,022)</b>	<b>\$ 54,328</b>
<b>Fund Balance - January 1</b>	<b>10,321,434</b>	<b>10,321,434</b>	<b>10,321,434</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 9,586,084</b>	<b>\$ 9,586,084</b>	<b>\$ 9,640,412</b>	<b>\$ 54,328</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,048,097	\$ 1,048,097	\$ 1,033,440	\$ (14,657)
Intergovernmental	162,403	162,403	170,026	7,623
Investment earnings	-	-	11,886	11,886
Miscellaneous	-	-	37,512	37,512
<b>Total Revenues</b>	<b><u>\$ 1,210,500</u></b>	<b><u>\$ 1,210,500</u></b>	<b><u>\$ 1,252,864</u></b>	<b><u>\$ 42,364</u></b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 257,000	\$ 257,000	\$ 15,603	\$ 241,397
Public safety	300,000	300,000	51,620	248,380
Culture and recreation	153,500	153,500	19,624	133,876
<b>Debt service</b>				
Principal	-	-	1,905	(1,905)
Interest	-	-	163	(163)
<b>Total Expenditures</b>	<b><u>\$ 710,500</u></b>	<b><u>\$ 710,500</u></b>	<b><u>\$ 88,915</u></b>	<b><u>\$ 621,585</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b><u>\$ 500,000</u></b>	<b><u>\$ 500,000</u></b>	<b><u>\$ 1,163,949</u></b>	<b><u>\$ 663,949</u></b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(500,000)	(500,000)	(1,925,850)	(1,425,850)
<b>Net Change in Fund Balance</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (761,901)</u></b>	<b><u>\$ (761,901)</u></b>
<b>Fund Balance - January 1</b>	<b><u>4,024,203</u></b>	<b><u>4,024,203</u></b>	<b><u>4,024,203</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 4,024,203</u></u></b>	<b><u><u>\$ 4,024,203</u></u></b>	<b><u><u>\$ 3,262,302</u></u></b>	<b><u><u>\$ (761,901)</u></u></b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**Schedule 6**

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2009

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$1,343,799	\$1,343,799	0.0%	\$19,339,847	6.9%

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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, 2009:

	Expenditures	Final Budget	Excess
General Fund	\$ 24,961,857	\$ 24,338,117	\$ 623,740
Special Revenue Funds			
Road and Bridge	13,873,842	11,607,000	2,266,842
Human Services	13,732,875	13,547,300	185,575

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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3. Other Postemployment Benefits Funding Status

Beginning in 2008, Kandiyohi County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the accrued liability for postemployment benefits is zero. Currently, only one year's worth of data is available. Future reports will provide additional trend analysis to meet the three-year funding status requirement as the information becomes available.

See Note 4.B. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

**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.

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, 2009**

	<u>Capital Equipment</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>	<u>Green Lake Sewer</u>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 2,911,610	\$ 91,015	\$ 324,679	\$ 1,435,982
Taxes receivable				
Prior	17,284	-	-	-
Special assessments receivable				
Prior	-	2,237	3,800	3,245
Noncurrent	-	246,829	125,598	153,214
Accounts receivable	-	212	-	9,113
Accrued interest receivable	12,836	854	2,309	-
Due from other funds	-	15,557	-	-
Due from other governments	-	60,064	-	51,706
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<b><u><u>\$ 2,941,730</u></u></b>	<b><u><u>\$ 416,768</u></u></b>	<b><u><u>\$ 456,386</u></u></b>	<b><u><u>\$ 1,653,260</u></u></b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	110,924	9,726	44,062
Salaries payable	-	-	179	18,802
Due to other funds	-	1,836	-	661
Due to other governments	-	-	14	5,333
Deferred revenue - unavailable	26,629	237,632	130,857	156,098
Deferred revenue - unearned	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	<b><u><u>\$ 26,629</u></u></b>	<b><u><u>\$ 350,392</u></u></b>	<b><u><u>\$ 140,776</u></u></b>	<b><u><u>\$ 224,956</u></u></b>
<b>Fund Balances</b>				
Unreserved				
Designated for unrealized gains on investments	\$ 7,504	\$ -	\$ -	\$ -
Undesignated	2,907,597	66,376	315,610	1,428,304
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Fund Balances</b>	<b><u><u>\$ 2,915,101</u></u></b>	<b><u><u>\$ 66,376</u></u></b>	<b><u><u>\$ 315,610</u></u></b>	<b><u><u>\$ 1,428,304</u></u></b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities and Fund Balances</b>	<b><u><u>\$ 2,941,730</u></u></b>	<b><u><u>\$ 416,768</u></u></b>	<b><u><u>\$ 456,386</u></u></b>	<b><u><u>\$ 1,653,260</u></u></b>

Statement 1

<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>
\$ 122,271	\$ 15,342	\$ 272,871	\$ 72	\$ -	\$ 5,173,842
6,783	-	5,267	-	-	29,334
-	-	-	-	-	9,282
-	-	-	-	-	525,641
-	-	1,599	-	-	10,924
-	-	-	-	-	15,999
-	-	30,398	-	175,000	220,955
-	-	3,602	-	-	115,372
<u>\$ 129,054</u>	<u>\$ 15,342</u>	<u>\$ 313,737</u>	<u>\$ 72</u>	<u>\$ 175,000</u>	<u>\$ 6,101,349</u>
\$ -	\$ -	\$ -	\$ -	\$ 371,192	\$ 371,192
3,607	-	5,698	-	25,295	199,312
3,442	-	13,746	-	7,054	43,223
1,000	-	971	-	333	4,801
7,630	362	24,280	72	558	38,249
5,479	-	4,182	-	-	560,877
-	-	2,230	-	-	2,230
<u>\$ 21,158</u>	<u>\$ 362</u>	<u>\$ 51,107</u>	<u>\$ 72</u>	<u>\$ 404,432</u>	<u>\$ 1,219,884</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,504
107,896	14,980	262,630	-	(229,432)	4,873,961
<u>\$ 107,896</u>	<u>\$ 14,980</u>	<u>\$ 262,630</u>	<u>\$ -</u>	<u>\$ (229,432)</u>	<u>\$ 4,881,465</u>
<u>\$ 129,054</u>	<u>\$ 15,342</u>	<u>\$ 313,737</u>	<u>\$ 72</u>	<u>\$ 175,000</u>	<u>\$ 6,101,349</u>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Capital Equipment</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>	<u>Green Lake Sewer</u>
<b>Revenues</b>				
Taxes	\$ 763,202	\$ -	\$ -	\$ -
Special assessments	-	270,944	126,781	1,735
Intergovernmental	121,367	-	-	-
Charges for services	-	-	-	912,302
Fines and forfeits	-	-	-	-
Gifts and contributions	-	-	-	-
Investment earnings	44,085	2,289	4,241	-
Miscellaneous	-	-	-	3,981
<b>Total Revenues</b>	<b>\$ 928,654</b>	<b>\$ 273,233</b>	<b>\$ 131,022</b>	<b>\$ 918,018</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 255,440	\$ -	\$ -	\$ -
Public safety	161,754	-	-	-
Highways and streets	223,988	-	-	-
Sanitation	-	-	149,319	1,026,928
Health	1,456	-	-	-
Culture and recreation	-	-	-	-
Conservation of natural resources	-	451,055	-	-
<b>Intergovernmental</b>				
Culture and recreation	-	-	-	-
<b>Debt service</b>				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 642,638</b>	<b>\$ 451,055</b>	<b>\$ 149,319</b>	<b>\$ 1,026,928</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 286,016</b>	<b>\$ (177,822)</b>	<b>\$ (18,297)</b>	<b>\$ (108,910)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ -	\$ 207,581
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 207,581</b>
<b>Net Change in Fund Balance</b>	<b>\$ 286,016</b>	<b>\$ (177,822)</b>	<b>\$ (18,297)</b>	<b>\$ 98,671</b>
<b>Fund Balance - January 1</b>	<b>2,629,085</b>	<b>244,198</b>	<b>333,907</b>	<b>1,329,633</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,915,101</b>	<b>\$ 66,376</b>	<b>\$ 315,610</b>	<b>\$ 1,428,304</b>

Statement 2

<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>
\$ 296,920	\$ -	\$ 245,691	\$ -	\$ -	\$ 1,305,813
-	-	-	-	-	399,460
44,511	-	39,085	-	-	204,963
-	-	73,310	-	-	985,612
-	11,480	-	-	-	11,480
-	1,000	-	-	-	1,000
-	-	-	-	-	50,615
31,140	-	571,103	1,812	938,257	1,546,293
<b>\$ 372,571</b>	<b>\$ 12,480</b>	<b>\$ 929,189</b>	<b>\$ 1,812</b>	<b>\$ 938,257</b>	<b>\$ 4,505,236</b>
\$ -	\$ -	\$ 581,971	\$ 1,812	\$ 371,508	\$ 1,210,731
-	11,774	-	-	-	173,528
-	-	-	-	-	223,988
-	-	-	-	-	1,176,247
-	-	-	-	-	1,456
179,659	-	-	-	-	179,659
-	-	-	-	-	451,055
345,800	-	-	-	-	345,800
-	-	-	-	375,975	375,975
-	-	-	-	201,156	201,156
<b>\$ 525,459</b>	<b>\$ 11,774</b>	<b>\$ 581,971</b>	<b>\$ 1,812</b>	<b>\$ 948,639</b>	<b>\$ 4,339,595</b>
<b>\$ (152,888)</b>	<b>\$ 706</b>	<b>\$ 347,218</b>	<b>\$ -</b>	<b>\$ (10,382)</b>	<b>\$ 165,641</b>
\$ 100,000	\$ -	\$ 500,000	\$ -	\$ -	\$ 807,581
-	-	(756,085)	-	-	(756,085)
<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ (256,085)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,496</b>
\$ (52,888)	\$ 706	\$ 91,133	\$ -	\$ (10,382)	\$ 217,137
<b>160,784</b>	<b>14,274</b>	<b>171,497</b>	<b>-</b>	<b>(219,050)</b>	<b>4,664,328</b>
<b>\$ 107,896</b>	<b>\$ 14,980</b>	<b>\$ 262,630</b>	<b>\$ -</b>	<b>\$ (229,432)</b>	<b>\$ 4,881,465</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*Schedule 7*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL EQUIPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 776,647	\$ 776,647	\$ 763,202	\$ (13,445)
Intergovernmental	120,337	120,337	121,367	1,030
Investment earnings	-	-	44,085	44,085
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Revenues</b>	<b>\$ 896,984</b>	<b>\$ 896,984</b>	<b>\$ 928,654</b>	<b>\$ 31,670</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ -	\$ -	\$ 255,440	\$ (255,440)
Public safety	-	-	161,754	(161,754)
Highways and streets	-	-	223,988	(223,988)
Health	-	-	1,456	(1,456)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 642,638</b>	<b>\$ (642,638)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 896,984</b>	<b>\$ 896,984</b>	<b>\$ 286,016</b>	<b>\$ (610,968)</b>
<b>Fund Balance - January 1</b>	<b><u>2,629,085</u></b>	<b><u>2,629,085</u></b>	<b><u>2,629,085</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 3,526,069</u></u></b>	<b><u><u>\$ 3,526,069</u></u></b>	<b><u><u>\$ 2,915,101</u></u></b>	<b><u><u>\$ (610,968)</u></u></b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*Schedule 8*

**BUDGETARY COMPARISON SCHEDULE  
GREEN LAKE SEWER SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ 1,735	\$ 1,735
Charges for services	918,350	918,350	912,302	(6,048)
Miscellaneous	6,900	6,900	3,981	(2,919)
<b>Total Revenues</b>	<b>\$ 925,250</b>	<b>\$ 925,250</b>	<b>\$ 918,018</b>	<b>\$ (7,232)</b>
<b>Expenditures</b>				
<b>Current</b>				
Sanitation	987,000	987,000	1,026,928	(39,928)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (61,750)</b>	<b>\$ (61,750)</b>	<b>\$ (108,910)</b>	<b>\$ (47,160)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ 58,210	\$ 58,210	\$ -	\$ (58,210)
Transfers in	179,300	179,300	207,581	28,281
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 237,510</b>	<b>\$ 237,510</b>	<b>\$ 207,581</b>	<b>\$ (29,929)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 175,760</b>	<b>\$ 175,760</b>	<b>\$ 98,671</b>	<b>\$ (77,089)</b>
<b>Fund Balance - January 1</b>	<b>1,329,633</b>	<b>1,329,633</b>	<b>1,329,633</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,505,393</b>	<b>\$ 1,505,393</b>	<b>\$ 1,428,304</b>	<b>\$ (77,089)</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*Schedule 9*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 301,358	\$ 301,358	\$ 296,920	\$ (4,438)
Intergovernmental	44,442	44,442	44,511	69
Miscellaneous	28,500	28,500	31,140	2,640
<b>Total Revenues</b>	<b>\$ 374,300</b>	<b>\$ 374,300</b>	<b>\$ 372,571</b>	<b>\$ (1,729)</b>
<b>Expenditures</b>				
<b>Current</b>				
Culture and recreation	\$ 189,900	\$ 189,900	\$ 179,659	\$ 10,241
<b>Intergovernmental</b>				
Culture and recreation	345,800	345,800	345,800	-
<b>Total Expenditures</b>	<b>\$ 535,700</b>	<b>\$ 535,700</b>	<b>\$ 525,459</b>	<b>\$ 10,241</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (161,400)</b>	<b>\$ (161,400)</b>	<b>\$ (152,888)</b>	<b>\$ 8,512</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	100,000	100,000
<b>Net Change in Fund Balance</b>	<b>\$ (161,400)</b>	<b>\$ (161,400)</b>	<b>\$ (52,888)</b>	<b>\$ 108,512</b>
<b>Fund Balance - January 1</b>	<b>160,784</b>	<b>160,784</b>	<b>160,784</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (616)</b>	<b>\$ (616)</b>	<b>\$ 107,896</b>	<b>\$ 108,512</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*Schedule 10*

**BUDGETARY COMPARISON SCHEDULE  
HEALTH AND HUMAN SERVICES BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 249,947	\$ 249,947	\$ 245,691	\$ (4,256)
Intergovernmental	38,753	38,753	39,085	332
Charges for services	-	-	73,310	73,310
Miscellaneous	570,000	570,000	571,103	1,103
<b>Total Revenues</b>	<b>\$ 858,700</b>	<b>\$ 858,700</b>	<b>\$ 929,189</b>	<b>\$ 70,489</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,393,716	1,393,716	581,971	811,745
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (535,016)</b>	<b>\$ (535,016)</b>	<b>\$ 347,218</b>	<b>\$ 882,234</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Transfers out	-	-	(756,085)	(756,085)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ (256,085)</b>	<b>\$ (756,085)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (35,016)</b>	<b>\$ (35,016)</b>	<b>\$ 91,133</b>	<b>\$ 126,149</b>
<b>Fund Balance - January 1</b>	<b>171,497</b>	<b>171,497</b>	<b>171,497</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 136,481</b>	<b>\$ 136,481</b>	<b>\$ 262,630</b>	<b>\$ 126,149</b>

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**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 Fund - 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, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>CURRENT SCHOOL</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>220,669</u>	\$ <u>13,253,679</u>	\$ <u>13,474,348</u>	\$ <u>-</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>220,669</u>	\$ <u>13,253,679</u>	\$ <u>13,474,348</u>	\$ <u>-</u>
 <b><u>DEED TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>26,525</u>	\$ <u>348,955</u>	\$ <u>339,108</u>	\$ <u>36,372</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>26,525</u>	\$ <u>348,955</u>	\$ <u>339,108</u>	\$ <u>36,372</u>
 <b><u>GAME AND FISH</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>944</u>	\$ <u>25,420</u>	\$ <u>24,833</u>	\$ <u>1,531</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>944</u>	\$ <u>25,420</u>	\$ <u>24,833</u>	\$ <u>1,531</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, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>MORTGAGE REGISTRY TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>49,299</u>	\$ <u>846,462</u>	\$ <u>846,749</u>	\$ <u>49,012</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>49,299</u>	\$ <u>846,462</u>	\$ <u>846,749</u>	\$ <u>49,012</u>
 <b><u>WATERSHED DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>3,360</u>	\$ <u>237,193</u>	\$ <u>240,553</u>	\$ <u>-</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>3,360</u>	\$ <u>237,193</u>	\$ <u>240,553</u>	\$ <u>-</u>
 <b><u>COUNTY-WIDE LEVY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>13,890</u>	\$ <u>642,428</u>	\$ <u>656,318</u>	\$ <u>-</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>13,890</u>	\$ <u>642,428</u>	\$ <u>656,318</u>	\$ <u>-</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, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>STATE AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>209,373</u>	\$ <u>13,231,579</u>	\$ <u>13,310,192</u>	\$ <u>130,760</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>209,373</u>	\$ <u>13,231,579</u>	\$ <u>13,310,192</u>	\$ <u>130,760</u>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>183,784</u>	\$ <u>68,907,698</u>	\$ <u>68,474,750</u>	\$ <u>616,732</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>183,784</u>	\$ <u>68,907,698</u>	\$ <u>68,474,750</u>	\$ <u>616,732</u>
 <b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>150,676</u>	\$ <u>10,351,238</u>	\$ <u>10,501,914</u>	\$ <u>-</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>150,676</u>	\$ <u>10,351,238</u>	\$ <u>10,501,914</u>	\$ <u>-</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, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>KANDIYOHI COUNTY/CITY OF WILLMAR EDC</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>350,706</u>	\$ <u>648,945</u>	\$ <u>545,036</u>	\$ <u>454,615</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 7,734	\$ -	\$ 7,734	\$ -
Due to other governments	<u>342,972</u>	<u>648,945</u>	<u>537,302</u>	<u>454,615</u>
<b>Total Liabilities</b>	<b>\$ <u>350,706</u></b>	<b>\$ <u>648,945</u></b>	<b>\$ <u>545,036</u></b>	<b>\$ <u>454,615</u></b>
 <b><u>CEE VI TASK FORCE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>218,328</u>	\$ <u>705,828</u>	\$ <u>818,029</u>	\$ <u>106,127</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>218,328</u>	\$ <u>705,828</u>	\$ <u>818,029</u>	\$ <u>106,127</u>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>1,427,554</u>	\$ <u>109,199,425</u>	\$ <u>109,231,830</u>	\$ <u>1,395,149</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 7,734	\$ -	\$ 7,734	\$ -
Due to other governments	<u>1,419,820</u>	<u>109,199,425</u>	<u>109,224,096</u>	<u>1,395,149</u>
<b>Total Liabilities</b>	<b>\$ <u>1,427,554</u></b>	<b>\$ <u>109,199,425</u></b>	<b>\$ <u>109,231,830</u></b>	<b>\$ <u>1,395,149</u></b>

## **OTHER SCHEDULES**

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**Schedule 11**

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

	2008		2009		2010	
	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)
<b>Tax Capacity</b>						
Real property	\$ 41,187,890		\$ 43,862,426		\$ 47,768,727	
Personal property	768,161		760,289		796,085	
Less: tax increment	(300,241)		(256,132)		(261,662)	
<b>Net Tax Capacity</b>	<b>\$ 41,655,810</b>		<b>\$ 44,366,583</b>		<b>\$ 48,303,150</b>	
<b>Taxes Levied for County Purposes</b>						
General	\$ 11,753,050	26.118	\$ 12,760,068	26.569	\$ 14,359,500	27.377
Road and Bridge	3,840,000	8.534	3,997,000	8.323	4,093,800	7.805
Human Services	5,950,600	13.224	6,114,700	12.732	5,825,700	11.107
Health and Human Services	214,700	0.478	288,700	0.602	598,100	1.141
County Building	1,413,500	3.142	1,210,500	2.521	360,000	0.687
County Library*	332,800	1.044	345,800	1.008	345,800	0.902
Building Bonds Sinking	1,639,300	3.619	1,425,600	2.950	1,423,100	2.947
ARMER Radio Bonds	-	-	624,400	1.292	555,200	1.150
Capital Equipment	708,000	1.574	896,984	1.868	600,000	1.144
Kandiyohi Area Transit	9,000	0.022	9,000	0.021	-	0.000
<b>Total Levy for County Purposes</b>	<b>\$ 25,860,950</b>	<b>57.755</b>	<b>\$ 27,672,752</b>	<b>57.886</b>	<b>\$ 28,161,200</b>	<b>54.260</b>
<b>Less Aids Payable by State**</b>	<b>(2,084,034)</b>		<b>(2,271,211)</b>		<b>(2,221,295)</b>	
<b>Net Levy for County Purposes</b>	<b>\$ 23,776,916</b>		<b>\$ 25,401,541</b>		<b>\$ 25,939,905</b>	
<b>Tax Capacity - Light and Power</b>						
Assessed at 43%	\$ 21,408		\$ 20,974		\$ 20,648	
Assessed at 5%	2,635		2,532		2,473	
<b>Total Tax Capacity - Light and Power</b>	<b>\$ 24,043</b>		<b>\$ 23,506</b>		<b>\$ 23,121</b>	
<b>Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)</b>						
Assessed at 43%	\$ 21,212	99.087	\$ 20,798	99.161	\$ 19,325	93.595
Assessed at 5%	2,610	99.087	2,510	99.161	2,314	93.595
<b>Total Light and Power Tax Levies</b>	<b>\$ 23,822</b>		<b>\$ 23,308</b>		<b>\$ 21,639</b>	

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

\*\*2010 aids payable by state are estimated.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*Schedule 11*  
*(Continued)*

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

	2008		2009		2010	
	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)
<b>Special Assessments</b>						
Ditch liens and assessments	<u>\$ 129,208</u>		<u>\$ 74,778</u>		<u>\$ 63,959</u>	
Sewer systems liens and assessments	<u>\$ 1,282,091</u>		<u>\$ 1,664,848</u>		<u>\$ 1,890,269</u>	
Sanitary landfill liens and assessments	<u>\$ 899,739</u>		<u>\$ 909,112</u>		<u>\$ 918,489</u>	
<b>Percentage of Collections for All Purposes</b>	98.27%		97.96%		-	

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*Schedule 12*

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2009**

	Maturities	Rates	Amount
<b>Pooled Deposits and Investments</b>			
<b>Checking accounts</b>			
Bremer Bank of Willmar		0.10%	\$ 2,493,212
Bremer Bank of Willmar		0.05%	804
Bremer Bank of Willmar		0.45%	5,502
US Bank of Willmar		0.12%	454,373
US Bank of Willmar		0.19%	62,962
<b>Total checking accounts</b>			<b>\$ 3,016,853</b>
<b>Savings accounts</b>			
Atwater State Bank		1.50%	\$ 51,995
North American State Bank		0.85%	522,572
North American State Bank		0.37%	2,005,252
Citizens State Bank - Lake Lillian		0.40%	29,848
United Minnesota Bank		0.50%	49,969
Home State Bank		0.25%	42,647
Lake Region Bank - New London		0.48%	11,170
Prinsburg State Bank		0.31%	37,574
Concorde Bank		0.53%	64,860
United Prairie Bank		0.50%	19,700
Wells Fargo		0.01%	192,641
Lake Region Bank - Willmar		0.35%	2,724,483
<b>Total savings accounts</b>			<b>\$ 5,752,711</b>
<b>U.S. government securities</b>			
Morgan Keegan	December 29, 2011	1.00%	\$ 501,330
Morgan Keegan	February 19, 2013	4.10%	702,947
<b>Total U.S. government securities</b>			<b>\$ 1,204,277</b>
<b>MAGIC Fund</b>			
Cadre Financial Services		Various	<b>\$ 14,472,222</b>
<b>Total pooled deposits and investments</b>			<b>\$ 24,446,063</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*Schedule 12*  
*(Continued)*

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2009**

	<b>Maturities</b>	<b>Rates</b>	<b>Amount</b>
<b>Fund Deposits and Investments</b>			
<b>General Fund</b>			
<b>Certificates of deposit</b>			
Atwater State Bank	January 10, 2010	2.25%	\$ 100,947
Home State Bank - Willmar	July 16, 2010	2.30%	200,000
Bremer Bank	Various	2.00% to 4.00%	192,651
<b>Total certificates of deposit</b>			<b>\$ 493,598</b>
<b>Money market account</b>			
Charles Schwab Institutional			<b>\$ 4,511</b>
<b>U.S. government securities</b>			
Charles Schwab & Co., Inc.	Various	5.80%	\$ 1,500,000
Morgan Keegan	Various	1.75% to 6.00%	3,773,551
<b>Total U.S. government securities</b>			<b>\$ 5,273,551</b>
<b>Total General Fund</b>			<b>\$ 5,771,660</b>
<b>Road and Bridge Special Revenue Fund</b>			
<b>Certificates of deposit</b>			
Concorde Bank	March 22, 2010	1.32%	<b>\$ 100,000</b>
<b>U.S. government securities</b>			
Charles Schwab & Co., Inc.	March 25, 2019	4.00%	\$ 2,012,482
Morgan Keegan	Various	1.75% to 6.00%	309,692
<b>Total U.S. government securities</b>			<b>\$ 2,322,174</b>
<b>Total Road and Bridge Special Revenue Fund</b>			<b>\$ 2,422,174</b>
<b>County Building Special Revenue Fund</b>			
<b>U.S. government securities</b>			
Morgan Keegan	March 30, 2012	1.75%	\$ 150,433
Charles Schwab & Co., Inc.	April 17, 2024	3.00%	2,910,477
<b>Total U.S. government securities</b>			<b>\$ 3,060,910</b>
<b>Capital Equipment Special Revenue Fund</b>			
<b>U.S. government securities</b>			
Charles Schwab & Co., Inc.	Various	2.00% to 5.00%	<b>\$ 2,307,504</b>
<b>Ditch Special Revenue Fund</b>			
<b>Certificates of deposit</b>			
United Prairie Bank	March 20, 2010	1.74%	<b>\$ 175,000</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**Schedule 12  
(Continued)**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2009**

	<b>Maturities</b>	<b>Rates</b>		<b>Amount</b>
<b>Fund Deposits and Investments (Continued)</b>				
<b>Eagle Lake Sewer Special Revenue Fund</b>				
<b>Certificates of deposit</b>				
Bremer Bank of Willmar	September 11, 2010	2.00%	\$	50,000
United Prairie Bank	April 9, 2010	1.90%		125,000
<b>Total Eagle Lake Sewer Special Revenue Fund</b>				<b>\$ 175,000</b>
<b>Sanitary Landfill/Recycling Center Special Revenue Fund</b>				
<b>U.S. government securities</b>				
Charles Schwab & Co., Inc.	Various	3.00% to 5.99%	\$	6,487,983
Morgan Keegan	Various	1.00% to 6.28%		1,870,503
Wells Fargo	December 23, 2019	2.00%		500,000
<b>Total Sanitary Landfill/Recycling Center Special Revenue Fund</b>				<b>\$ 8,858,486</b>
<b>County Cemetery Investment Trust Fund</b>				
<b>Certificates of deposit</b>				
Bremer Bank of Willmar	September 28, 2010	4.60%	\$	25,000
<b>Taxes and Penalties Agency Fund</b>				
<b>Certificates of deposit</b>				
Bremer Bank of Willmar	Various	1.00% to 3.00%	\$	142,059
<b>Total fund deposits and investments</b>				<b>\$ 22,937,793</b>
 <b>Total Deposits and Investments</b>				<b>\$ 47,383,856</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2009**

	Assets					
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable		Receivables	Due from Other Funds
			Delinquent	Deferred		
<b>County Ditches</b>						
#7	\$ 1,045	\$ -	\$ -	\$ -	\$ -	\$ -
#7 Rep D	7,520	-	-	-	-	-
#8	4,212	-	-	-	-	-
#8A	384	-	-	-	-	-
#8 Lat A	203	-	-	-	-	-
#8 Lat B	(153)	-	-	195	-	23
#9	1,537	-	-	-	-	-
#9 Lat 1 Br A	22,810	-	-	-	-	-
#10 Impr C	(42,967)	-	1	-	-	-
#12	(6,657)	-	-	-	-	-
#15	(5,527)	-	-	1,672	-	-
#16A	1,489	-	-	-	-	-
#18A	1,577	-	-	-	-	-
#19	(14,923)	-	-	-	-	-
#20	622	-	-	-	-	-
#23A	(21,193)	-	29	4,920	21	661
#23A, Main & Br 1 Relocate	(6,737)	-	-	-	-	-
#24A	(319)	-	3	-	-	-
#24A Lat G	(1,179)	-	-	1,067	10	60
#24A Lat H	(19,156)	-	-	10,272	12	1,012
#24A Lat H-1	(15,976)	-	-	6,362	-	711
#24A Lat J	1,026	-	-	-	-	-
#26	(16,030)	-	222	14,343	-	1,403
#27	(29,616)	-	-	14,474	-	176
#28	38,492	-	-	5,831	-	-
#28 Impr Br 7	253	-	-	-	-	-
#28 Lat A Br 4	7,283	-	-	-	-	-
#28 Impr Br 5	119	-	-	-	-	-
#29	2,233	-	-	-	-	-
#31 Impr	86,154	125,610	-	-	-	-
#31 Lat A of Br 10 of Lat 10	353	-	-	-	-	-
#31 Lat A of Br 2 of Lat 10	12,563	-	-	-	-	-
#34	(3,567)	-	-	4,294	-	-
#37	(775)	-	388	2,024	-	2
#38	(8,891)	-	-	-	-	-
#40	244	-	-	-	-	-
#42	(493)	-	-	450	-	-
#43	(1,252)	-	-	-	-	-
#45	57	-	-	-	-	-
#46	(13,233)	-	-	-	-	-
#47	(19,152)	-	-	-	-	-
#48	(2,427)	-	-	-	-	-
#50	771	-	-	-	-	-
#51	353	-	-	-	-	-
#51 Lat A-1	885	-	-	-	-	-
#52	2,909	-	-	-	-	-

**Schedule 13**

	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		
\$	-	\$ 1,045	\$ -	\$ -	\$ -	\$ -	\$ 1,045	\$ 1,045
	-	7,520	-	-	-	-	7,520	7,520
	-	4,212	-	-	-	-	4,212	4,212
	-	384	30,805	-	-	30,805	(30,421)	384
	-	203	11,060	-	-	11,060	(10,857)	203
	5	70	-	-	66	66	4	70
	-	1,537	3,540	-	-	3,540	(2,003)	1,537
	-	22,810	-	-	-	-	22,810	22,810
	-	(42,966)	933	-	-	933	(43,899)	(42,966)
	-	(6,657)	2,938	-	-	2,938	(9,595)	(6,657)
	-	(3,855)	5,950	-	86	6,036	(9,891)	(3,855)
	-	1,489	-	-	-	-	1,489	1,489
	-	1,577	-	-	-	-	1,577	1,577
	-	(14,923)	-	-	-	-	(14,923)	(14,923)
	-	622	-	-	-	-	622	622
	7,803	(7,759)	8,921	-	10,225	19,146	(26,905)	(7,759)
	-	(6,737)	1,041	-	-	1,041	(7,778)	(6,737)
	-	(316)	260	-	-	260	(576)	(316)
	65	23	-	-	730	730	(707)	23
	20	(7,840)	-	-	4,841	4,841	(12,681)	(7,840)
	496	(8,407)	3,100	-	4,657	7,757	(16,164)	(8,407)
	-	1,026	-	-	-	-	1,026	1,026
	-	(62)	-	-	15,591	15,591	(15,653)	(62)
	84	(14,882)	2,310	-	5,219	7,529	(22,411)	(14,882)
	-	44,323	11,446	-	-	11,446	32,877	44,323
	-	253	-	-	-	-	253	253
	-	7,283	-	-	-	-	7,283	7,283
	-	119	-	-	-	-	119	119
	-	2,233	-	-	-	-	2,233	2,233
	-	211,764	17,305	-	610	17,915	193,849	211,764
	-	353	-	-	-	-	353	353
	-	12,563	-	-	-	-	12,563	12,563
	219	946	-	-	2,539	2,539	(1,593)	946
	35	1,674	-	-	1,063	1,063	611	1,674
	-	(8,891)	-	-	-	-	(8,891)	(8,891)
	-	244	-	-	-	-	244	244
	3	(40)	-	-	3	3	(43)	(40)
	-	(1,252)	-	-	-	-	(1,252)	(1,252)
	-	57	-	-	-	-	57	57
	-	(13,233)	-	-	-	-	(13,233)	(13,233)
	-	(19,152)	-	-	-	-	(19,152)	(19,152)
	-	(2,427)	-	-	-	-	(2,427)	(2,427)
	-	771	-	-	-	-	771	771
	-	353	-	-	-	-	353	353
	-	885	-	-	-	-	885	885
	-	2,909	-	-	-	-	2,909	2,909

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2009**

	Assets					Due from Other Funds
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable		Receivables	
			Delinquent	Deferred		
<b>County Ditches (Continued)</b>						
#54	487	-	-	-	-	-
#54 Impr	26,668	-	-	-	-	-
#55	2,126	-	159	-	-	-
#56	(511)	-	-	571	-	36
#58	(2,175)	-	-	2,376	6	74
#60	747	-	-	-	-	-
#61	(69)	-	-	288	-	17
#62	2,576	-	-	-	-	-
#63	505	-	-	-	-	-
#64	(426)	-	-	2,563	-	84
#65	225	-	-	1,244	-	-
<b>State Ditch</b>						
#1 Impr Div 2	910	-	-	-	-	-
<b>Judicial Ditches</b>						
#1 M & K	2,663	-	30	-	-	-
#1 Lat A, M & K	(84)	-	-	-	-	-
#1 Lat M & K	(11,678)	-	-	78,314	-	-
#1 Lat B, M & K	(27,111)	-	-	14,286	-	1,714
#1 Lat A of Lat B, M & K	4,103	-	-	-	-	-
#1 Br 4 of Lat B, M & K	1,656	-	-	-	-	-
#1 Lat C, M & K	(5,666)	-	-	5,526	-	287
#1 Lat D, M & K	419	-	-	-	-	-
#1 Lat E, M & K	555	-	-	-	-	-
#1 Br 2 of Lat F, M & K	(1,093)	-	-	1,782	-	155
#1 Lat G, M & K	(23)	-	-	-	-	-
#2 R & K	(3,221)	-	-	789	-	19
#2 Lat 3, R & K	273	-	-	-	-	-
#2 Lat 4, R & K	479	-	-	-	-	-
#2 Lat A of Lat 4, R & K	328	-	-	-	-	-
#2 Lat 5, R & K	(13)	-	-	-	-	-
#2 Lat 7, R & K	13	-	-	-	-	-
#2 Lat 8, R & K	574	-	28	-	-	-
#2 C & K	(5,125)	-	-	4,260	28	77
#2 St & K	211	-	-	-	-	-
#3 Lat B, K & C	833	-	-	-	-	-
#3 Lat A of Lat B, K & C	1,622	-	3	-	-	-
#3 Lat C, C & K	3,998	-	-	-	-	-
#3 Lat D, C & K	36,568	50,244	-	-	-	-
#3 Impr Br 5 & 6, C & K	(563)	-	-	1,510	-	54
#3 Impr Br 7 & 8, C & K	604	-	-	-	-	-
#3 Impr Br 9, C & K	1,748	-	-	-	-	-
#3 Impr Br 10, C & K	178	-	-	-	-	-
#3 Br 10 of Lat A, C & K	366	-	-	-	-	-
#3 St & K	(872)	-	-	-	-	-

**Schedule 13**  
**(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
-	26,668	-	-	-	-	26,668	26,668
-	2,285	-	-	159	159	2,126	2,285
68	164	-	-	449	449	(285)	164
188	469	-	-	1,128	1,128	(659)	469
-	747	-	-	-	-	747	747
-	236	-	-	116	116	120	236
-	2,576	2,463	-	-	2,463	113	2,576
-	505	-	-	-	-	505	505
36	2,257	1,597	1,132	1,193	3,922	(1,665)	2,257
11	1,480	141	704	11	856	624	1,480
-	910	-	-	-	-	910	910
-	2,693	-	-	-	-	2,693	2,693
1,725	1,641	-	-	1,725	1,725	(84)	1,641
-	66,636	-	-	78,314	78,314	(11,678)	66,636
3,570	(7,541)	-	-	12,031	12,031	(19,572)	(7,541)
-	4,103	-	-	-	-	4,103	4,103
-	1,656	-	-	-	-	1,656	1,656
786	933	-	-	1,138	1,138	(205)	933
-	419	-	-	-	-	419	419
-	555	-	-	-	-	555	555
116	960	-	-	505	505	455	960
-	(23)	-	-	-	-	(23)	(23)
2,540	127	-	-	3,125	3,125	(2,998)	127
293	566	-	-	293	293	273	566
46	525	-	-	46	46	479	525
-	328	-	-	-	-	328	328
-	(13)	-	-	-	-	(13)	(13)
-	13	-	-	-	-	13	13
-	602	-	-	-	-	602	602
1,626	866	-	-	3,188	3,188	(2,322)	866
-	211	-	-	-	-	211	211
-	833	-	-	-	-	833	833
-	1,625	-	-	-	-	1,625	1,625
14	4,012	-	-	14	14	3,998	4,012
-	86,812	-	-	244	244	86,568	86,812
6	1,007	-	-	584	584	423	1,007
-	604	-	-	-	-	604	604
-	1,748	-	-	-	-	1,748	1,748
-	178	-	-	-	-	178	178
42	408	-	-	42	42	366	408
1,258	386	200	-	1,258	1,458	(1,072)	386

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2009**

	Assets					Due from Other Funds
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable		Receivables	
			Delinquent	Deferred		
<b>Judicial Ditches (Continued)</b>						
#3 Rep A, St & K	2,047	-	-	-	-	-
#7 C, K & R (& Rep F)	(39,361)	-	5	17,039	118	1,990
#7 Lat A, C, K & R	(1,086)	-	-	1,812	-	172
#7 Lat B, C, K & R	1,924	-	-	-	-	-
#7 Lat E, C, K & R	(5,480)	-	-	3,010	6	97
#10 R & K	18	-	-	-	-	-
#11 K & M	(44,603)	-	1,369	30,339	-	5,923
#16 R & K	(16,050)	-	-	12,398	-	726
#17 M & K	7,575	-	-	-	-	-
#17 Rep A, M & K	4,475	-	-	-	-	-
#17 Br 4 of Lat A, M & K	461	-	-	-	-	-
#17 Br 4 of Lat B, M & K	7,108	-	-	-	-	-
#18 Sw, K & C	(2,018)	-	-	649	11	64
#18 M & K	100	-	-	1,979	-	-
#18 Lat A, M & K	4,814	-	-	-	-	-
#18 Lat C, M & K	(1,538)	-	-	-	-	-
#19 Sw & K	(208)	-	-	-	-	-
#21 R, C & K	307	-	-	-	-	-
#21 Sw, K & C	(249)	-	-	190	-	20
#29 Rep B, R, M & K	103	-	-	-	-	-
<b>Total</b>	<b>\$ (83,985)</b>	<b>\$ 175,854</b>	<b>\$ 2,237</b>	<b>\$ 246,829</b>	<b>\$ 212</b>	<b>\$ 15,557</b>

**Schedule 13**  
**(Continued)**

<b>Due from Other Governments</b>	<b>Total Assets</b>	<b>Liabilities</b>				<b>Fund Balances - Unreserved Undesignated</b>	<b>Total Liabilities and Fund Balances</b>
		<b>Payables</b>	<b>Due to Other Funds</b>	<b>Deferred Revenue</b>	<b>Total Liabilities</b>		
-	2,047	-	-	-	-	2,047	2,047
23,637	3,428	-	-	32,145	32,145	(28,717)	3,428
222	1,120	-	-	1,203	1,203	(83)	1,120
471	2,395	-	-	471	471	1,924	2,395
4,284	1,917	-	-	5,329	5,329	(3,412)	1,917
-	18	-	-	-	-	18	18
2,567	(4,405)	5,605	-	35,397	41,002	(45,407)	(4,405)
3,887	961	-	-	6,720	6,720	(5,759)	961
1,133	8,708	-	-	1,133	1,133	7,575	8,708
-	4,475	-	-	-	-	4,475	4,475
-	461	-	-	-	-	461	461
-	7,108	-	-	-	-	7,108	7,108
1,497	203	-	-	1,962	1,962	(1,759)	203
378	2,457	-	-	1,077	1,077	1,380	2,457
305	5,119	-	-	305	305	4,814	5,119
32	(1,506)	-	-	32	32	(1,538)	(1,506)
396	188	-	-	396	396	(208)	188
50	357	-	-	50	50	307	357
150	111	1,309	-	219	1,528	(1,417)	111
-	103	-	-	-	-	103	103
<b>\$ 60,064</b>	<b>\$ 416,768</b>	<b>\$ 110,924</b>	<b>\$ 1,836</b>	<b>\$ 237,632</b>	<b>\$ 350,392</b>	<b>\$ 66,376</b>	<b>\$ 416,768</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

Schedule 14

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Total Primary Government</u>	<u>Housing and Redevelopment Authority Component Unit</u>
<b>Shared Revenue</b>		
<b>State</b>		
Highway users tax	\$ 6,100,523	\$ -
County program aid	1,942,197	-
Market value credit	1,745,439	-
PERA rate reimbursement	73,608	-
Disparity reduction aid	20,742	-
Police aid	222,226	-
Enhanced 911	125,541	-
	<b>\$ 10,230,276</b>	<b>\$ -</b>
<b>Reimbursement for Services</b>		
<b>State</b>		
Minnesota Department of Human Services	<b>\$ 1,210,046</b>	<b>\$ -</b>
<b>Payments</b>		
<b>Local</b>		
Payments in lieu of taxes	\$ 160,731	\$ -
Other contributions	55,387	-
	<b>\$ 216,118</b>	<b>\$ -</b>
<b>Grants</b>		
<b>State</b>		
Minnesota Department/Board of		
Corrections	\$ 795,425	\$ -
Public Safety	37,944	-
Transportation	395,610	-
Health	280,473	-
Natural Resources	21,874	-
Human Services	2,017,339	-
Veterans Affairs	4,200	-
Water and Soil Resources	133,690	-
Peace Officer Standards and Training Board	14,667	-
Pollution Control Agency	141,376	-
	<b>\$ 3,842,598</b>	<b>\$ -</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*Schedule 14*  
*(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Total Primary Government</b>	<b>Housing and Redevelopment Authority Component Unit</b>
	<u>                    </u>	<u>                    </u>
<b>Grants (Continued)</b>		
<b>Federal</b>		
Department of		
Agriculture	\$ 579,561	\$ -
Commerce	42,141	-
Housing and Urban Development	-	1,217,660
Labor	112	-
Transportation	2,885,912	-
Health and Human Services	3,896,270	-
Homeland Security	53,752	-
	<u>                    </u>	<u>                    </u>
<b>Total federal</b>	<b>\$ 7,457,748</b>	<b>\$ 1,217,660</b>
	<u>                    </u>	<u>                    </u>
<b>Total state and federal grants</b>	<b>\$ 11,300,346</b>	<b>\$ 1,217,660</b>
	<u>                    </u>	<u>                    </u>
<b>Total Intergovernmental Revenue</b>	<b>\$ 22,956,786</b>	<b>\$ 1,217,660</b>
	<u>                    </u>	<u>                    </u>

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**Schedule 15**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**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. No matters involving internal control over compliance relating to the audit of the major federal award programs are 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."
- E. The Auditor's Report on Compliance for the major federal award programs for Kandiyohi County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	
State Administrative Matching Grants for SNAP	CFDA #10.561
State Administrative Matching Grants for SNAP - ARRA	CFDA #10.561
Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA #20.205
Highway Planning and Construction - ARRA	CFDA #20.205
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563

Foster Care Title IV-E Cluster	
Foster Care Title IV-E	CFDA #93.658
Foster Care Title IV-E - ARRA	CFDA #93.658

- 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 should 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 deficiency in internal control over financial reporting 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 and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

- Deferred revenue - unavailable was reduced, and various revenues were increased by \$707,765 in the General Fund.
- A reclassification of intergovernmental revenue from federal to state for \$113,114 was made in the General Fund.
- Deferred revenue - unavailable was reduced, and various revenues were increased by \$974,534 in the Road and Bridge Special Revenue Fund.
- A reclassification of intergovernmental revenue from state to federal for \$2,159,895 (including American Recovery and Reinvestment Act (ARRA) funded grants for \$1,292,734) was made in the Road and Bridge Special Revenue Fund.
- A reclassification of federal intergovernmental revenue in the amount of \$127,318 was made to specifically identify ARRA-funded grants in the Human Services Special Revenue Fund.
- A reclassification of intergovernmental revenue from federal to state for approximately \$1 million was made in the Human Services Special Revenue Fund.

- An amount due to the Capital Projects Fund and related transfer out for \$1,425,850 was recorded in the County Building Special Revenue Fund. A corresponding due from the County Building Special Revenue Fund and transfer in was recorded in the Capital Projects Fund.
- An adjustment was made to decrease miscellaneous revenue and increase deferred revenue - unavailable for \$297,500 in the Debt Service Fund.
- 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.*

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.*

07-4 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 policies 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.*

ITEM ARISING THIS YEAR

09-1 Segregation of Duties - Vendor Setup

During our review of the general disbursements process, we noted that several individuals have the ability to both process disbursements and set up new vendors. If at all possible, these duties should be segregated. Someone independent of the disbursements process should review, verify, and approve new vendors at least monthly.

We recommend management re-evaluate whether separation of duties between disbursements and vendor setup is possible. Formal written procedures should be developed to monitor new vendors entered into the system and should be included in the County's Accounting Policies and Procedures Manual.

Client's Response:

*As noted in Finding 96-8, Departmental Internal Accounting Control (Item #1 above), Kandiyohi County's management realizes that 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. To combat the lack of separation of duties between disbursements and vendor setup, a County Auditor staff member who is independent of the disbursement process will review and verify all vendors added on a monthly basis. IFS Menu 5020 is used to print an Added Vendors List by inputting a beginning and ending date.*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Accounting Policies and Procedures Manual (07-1)**

The County did not have a current and comprehensive accounting policies and procedures manual.

**Resolution**

The County Board has adopted a formal current and comprehensive accounting policies and procedures manual.

**Capital Assets Policies and Procedures (08-1)**

The County did not have a formal capital asset policies and procedures manual.

**Resolution**

The County Board has adopted a formal capital asset policies and procedures manual.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Cash Overdrafts

At December 31, 2009, the Regional Treatment Center Special Revenue Fund had a cash overdraft of \$371,192. The Ditch Special Revenue Fund had a cash overdraft of \$84,491. Also, the Green Lake Sewer Capital Projects Fund, which is included in the Capital Projects Fund for reporting purposes, had a cash overdraft of \$780,322.

If cash balances in the funds are insufficient, Minn. Stat. §§ 385.31 and 385.32 provide that 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, the Ditch Special Revenue Fund, and the Green Lake Sewer Capital Projects Fund and, if necessary, an inter-fund transfer will be made in October of 2010.*

96-3 Individual Ditch System Cash Deficits

On December 31, 2009, 45 of the 108 individual ditch systems had deficit cash balances totaling \$399,446. According to Minn. Stat. § 385.31, payment of expenditures is permitted 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. Loans are allowed to be made, per Minn. Stat. § 103E.655, subd. 2, 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 2010, one-year ditch repair liens will be levied.*

07-8 Prompt Payment of Invoices

The County is required by Minn. Stat. § 471.425 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. Two of 40 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.*

ITEMS ARISING THIS YEAR

09-2

Safe Driving Class

Kandiyohi County has established a Traffic Safety Course option in lieu of issuance or court filing of a state uniform traffic ticket. Sheriff's Deputies have the discretion to offer traffic violators the option of attending the Traffic Safety Course in lieu of a citation. The course is two hours long and costs \$75, which is payable to the Kandiyohi County Sheriff. This is in violation of Minn. Stat. § 169.022, which states, "... Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalties provided for in this chapter for the same offense."

In a letter to State Representative Steve Smith on December 1, 2003, the Minnesota Attorney General specifically addressed the issue of a driver improvement course or clinic in lieu of a ticket or other penalty. After reviewing the state law, the Attorney General concluded: "All such programs, however, require that a *trial court* make the determination as to whether attendance at such a [driver's] clinic is appropriate. We are aware of no express authority for local officials to create a *pretrial* diversion program." (emphasis is that of the Attorney General).

The Minnesota Supreme Court has stated "[a]s a creature of the state deriving its sovereignty from the state, the county should play a leadership role in carrying out legislative policy." *Kasch v. Clearwater County*, 289 N.W. 2d 148, 152 (Minn. 1980), *quoting County of Freeborn v. Bryson*, 243 N.W. 2d 316, 321 (Minn. 1976).

In 2009, the Minnesota Legislature enacted a new statute, Minn. Stat. § 169.999, to authorize the issuance of administrative citations and prescribe criteria for them. See 2009 Minn. Laws, ch. 158. Among other provisions, the new law states that a governing body resolution must be passed to authorize issuance of administrative citations. The resolution must bar peace officers from issuing administrative citations in violation of Minn. Stat. § 169.999 and specifies the offenses for which an administrative citation may be used. The authority requires the use of a uniform administrative citation prescribed by the Commissioner of Public Safety and specifies that the fine for an administrative violation must be \$60, two-thirds of which must be credited to the general revenue fund of the local unit of government, and one-third of which must be transferred to the Commissioner of Minnesota Management and Budget for deposit in the state's General Fund. A local unit of government receiving administrative fine proceeds must use one-half of the funds for law enforcement purposes. Each local unit of government must follow these and other criteria specified in the new statute.

We recommend the County comply with Minn. Stat. ch. 169, including Minn. Stat. § 169.999 (2009) or any subsequent legislation, by not offering a Traffic Safety Course in lieu of issuance or court filing of a state uniform traffic ticket.

Client's Response:

*The conclusions of Kandiyohi County differ from those reached in the State Auditor's report and we respectfully disagree with the report's findings and recommendations.*

09-3 Insufficient Collateral to Secure Deposits

At December 31, 2009, deposits with Bremer Bank and North American State Bank exceeded the amount of federal deposit insurance and collateral pledged by \$2,129,450 and \$529,608, respectively. The County is required by Minn. Stat. § 118A.03, subd. 3, to ensure 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 at the close of the financial institution's banking day." Even though collateral was pledged at December 31, 2009, the collateral pledged by Bremer Bank and North American 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:

*Kandiyohi County will reiterate to all of its depositories that Minn. Stat. § 118A.03, subd. 3, requires that the 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. A Deputy Auditor will closely monitor market values of pledged collateral from those depositories that pledged an insufficient amount of collateral to comply with the Statute.*

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-11 Ditch Special Revenue Fund - Equity Balance Deficits

As of December 31, 2009, 43 of the 108 individual ditch systems had deficit unreserved, undesignated fund balances totaling \$399,931. The County may establish a repair fund for any ditch system, pursuant to Minn. Stat. § 103E.735, subd. 1, not to exceed 20 percent of the assessed benefits of the ditch system, or \$40,000, whichever is larger. In 2010, the repair fund monetary cap was increased to \$100,000. *See* 2010 Minn. Laws, ch. 298, § 7.

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 2010, one-year ditch repair liens will be levied.*

C. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 28, 2010. 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, 2009, as described in our report on Kandiyohi County's financial statements. This report does not include the results of the other auditors' 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 and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 06-1 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-8, 07-2, 07-4, and 09-1 to be significant deficiencies.

### 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 seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because Kandiyohi County has no tax increment financing districts.

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, 07-8, 09-2, and 09-3.

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

Kandiyohi County's written responses to the internal control, legal compliance, and management practices findings 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

September 28, 2010

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REBECCA OTTO  
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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, 2009. 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 basic financial statements include the operations of the Kandiyohi County Housing and Redevelopment Authority (HRA), a component unit, which expended \$1,343,583 in federal awards during the year ended June 30, 2009, which 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, 2009.

#### Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, 2009, and have issued our report thereon dated September 28, 2010. We did not audit the financial statements of the Kandiyohi County HRA discretely presented component unit for the year ended June 30, 2009. Those statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on Kandiyohi County's financial statements that collectively comprise 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.

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

September 28, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**Schedule 16**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Direct		
Conservation Reserve Program	10.069	\$ 9,125
Passed Through Minnesota Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	276,697
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	283,272
State Administrative Matching Grants for SNAP - ARRA	10.561	<u>10,467</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 579,561</u></b>
<b>U.S. Department of Commerce</b>		
Passed through City of Saint Cloud		
Public Safety Interoperable Communications Grant Program	11.555	<b><u>\$ 42,141</u></b>
<b>U.S. Department of Labor</b>		
Passed Through Minnesota Department of Labor and Industry		
Occupational Safety and Health - State Program	17.503	<b><u>\$ 112</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	\$ 1,546,983
Highway Planning and Construction - ARRA	20.205	1,292,734
Passed Through Minnesota Department of Public Safety		
Highway Safety Cluster		
State and Community Highway Safety	20.600	27,090
Safety Belt Performance Grants	20.609	2,220
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>16,885</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 2,885,912</u></b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

***Schedule 16  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	\$ 49,821
Immunization Grants	93.268	1,700
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	173,576
Temporary Assistance for Needy Families	93.558	4,813
Maternal and Child Health Services Block Grant	93.994	52,520
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	19,920
Temporary Assistance for Needy Families	93.558	805,158
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	693,099
Child Support Enforcement - ARRA	93.563	97,992
Refugee and Entrant Assistance - State-Administered Programs	93.566	683
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	37,919
Child Welfare Services - State Grants	93.645	14,407
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	326,133
Foster Care Title IV-E - ARRA	93.658	18,859
Social Services Block Grant	93.667	328,111
Chafee Foster Care Independence Program	93.674	20,850
Children's Health Insurance Program	93.767	838
Medical Assistance Program	93.778	1,247,405
Block Grants for Community Mental Health Services	93.958	2,466
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 3,896,270</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 29,507
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	24,245
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 53,752</b>
<b>Total Federal Awards</b>		<b>\$ 7,457,748</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Kandiyohi County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include \$1,343,583 in federal awards expended by the Kandiyohi County Housing and Redevelopment Authority component unit, which had a separate single audit performed by other auditors.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Kandiyohi County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Kandiyohi County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Kandiyohi County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2009.

5. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.