

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

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 150 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 700 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, 2014



**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
2014

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	Jim Butterfield*	January 2011	January 2015
2nd District	Doug Reese	January 2013	January 2017
3rd District	Dean Shuck**	January 2011	January 2015
4th District	Roger Imdieke	January 2013	January 2017
5th District	Harlan Madsen	January 2013	January 2017
Officers			
Elected			
Interim Attorney	Shane Baker	October 2013	January 2015
Interim Auditor/Treasurer	Mark Thompson	January 2011	January 2015
Recorder	Julie Kalkbrenner	January 2011	January 2015
Registrar of Titles	Julie Kalkbrenner	January 2011	January 2015
Sheriff	Dan Hartog	January 2011	January 2015
Appointed			
Administrator	Larry Kleindl		Indefinite
Assessor	Valora Svor	November 2013	November 2017
Examiner of Titles	Brad Schmidt		Indefinite
Public Works Director	Melvin Odens	September 2014	September 2015
Veterans Service Officer	Trisha Appledorn	January 2011	January 2015
Human Services Director	Ann Stehn		Indefinite
Medical Examiner	Richard Kacher	January 2012	January 2016
Surveyor	Duane Bonnema		Indefinite
Community Corrections Director	Debra West		Indefinite

*Chair

**Vice Chair

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REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Kandiyohi County
Willmar, Minnesota

Report on the Financial Statements

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, 2014, including the Kandiyohi County Housing and Redevelopment Authority (HRA) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kandiyohi County HRA, which represents the amounts shown as the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Kandiyohi County HRA, is based solely on 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the 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, 2014, including the Kandiyohi County HRA as of June 30, 2014, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kandiyohi County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2015, 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* in considering Kandiyohi County’s internal control over financial reporting and compliance. It does not include the Kandiyohi County HRA, which was audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 24, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(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, 2014. 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 position is \$177,832,675 of which \$116,928,096 is net investment in capital assets, and \$21,369,882 is restricted to specific purposes.
- Kandiyohi County's net position increased by \$7,833,652 for the year ended December 31, 2014. The net position of the County's discretely presented component unit decreased by \$41,913.
- The net cost of governmental activities was \$27,830,258 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$35,663,910.
- Governmental funds' net change in fund balances was an increase of \$8,786,211.

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 Position 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 Position and the Statement of Activities

Our analysis of the County as a whole begins with Exhibit 1. The Statement of Net Position 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 position and changes in them. You can think of the County's net position--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 position is 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 Position 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 Position 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 Statement of Fiduciary Net Position on Exhibit 7. 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 Position

The County's net position was \$177,832,675 on December 31, 2014. (See Table A-1.)

Table A-1
Net Position

	Governmental Activities		Percent (%) Change
	2014	2013	
Assets			
Current and other assets	\$ 85,844,001	\$ 79,231,628	8.3
Capital assets	<u>160,965,308</u>	<u>160,516,421</u>	0.3
Total Assets	<u>\$ 246,809,309</u>	<u>\$ 239,748,049</u>	2.9
Liabilities			
Current liabilities	\$ 4,931,980	\$ 5,135,267	(4.0)
Long-term liabilities	<u>64,044,654</u>	<u>64,613,759</u>	(0.9)
Total Liabilities	<u>\$ 68,976,634</u>	<u>\$ 69,749,026</u>	(1.1)
Net Position			
Net investment in capital assets	\$ 116,928,096	\$ 113,021,825	3.5
Restricted	21,369,882	17,082,092	25.1
Unrestricted	<u>39,534,697</u>	<u>39,895,106</u>	(0.9)
Total Net Position	<u>\$ 177,832,675</u>	<u>\$ 169,999,023</u>	4.6

(Unaudited)

Page 7

Changes in Net Position

The County-wide total revenues were \$68,294,794 for the year ended December 31, 2014. Taxes and intergovernmental revenues accounted for 71.9 percent of total revenues for the year. (See Figures A-3 and A-4.)

Table A-2
Changes in Net Position

	Governmental Activities for Fiscal Year Ended December 31		Total Percent (%) Change
	2014	2013	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 15,237,078	\$ 14,820,788	2.8
Operating grants and contributions	17,216,747	16,803,350	2.5
Capital grants and contributions	177,059	757,242	(76.6)
General revenues			
Taxes	29,439,891	28,647,156	2.8
Unrestricted state aid	2,264,526	1,804,005	25.5
Investment earnings	1,624,859	(1,054,651)	254.0
Other	2,334,634	2,628,019	(11.2)
Total Revenues	<u>\$ 68,294,794</u>	<u>\$ 64,405,909</u>	6.0
Expenses			
General government	\$ 9,443,836	\$ 9,480,253	(0.4)
Public safety	14,020,608	13,664,193	2.6
Highways and streets	10,667,325	7,948,171	34.2
Sanitation	4,619,166	5,250,311	(12.0)
Human services	14,901,825	14,130,639	5.5
Health	2,282,762	2,609,878	(12.5)
Culture and recreation	1,071,324	1,173,908	(8.7)
Conservation of natural resources	1,642,070	1,113,896	47.4
Economic development	31,852	32,801	(2.9)
Interest	1,780,374	2,100,663	(15.3)
Total Expenses	<u>\$ 60,461,142</u>	<u>\$ 57,504,713</u>	5.2
Increase in Net Position	\$ 7,833,652	\$ 6,901,196	
Beginning Net Position	<u>169,999,023</u>	<u>163,097,827</u>	
Ending Net Position	<u>\$ 177,832,675</u>	<u>\$ 169,999,023</u>	

Figure A-3
Sources of County Revenues for Fiscal Year 2014

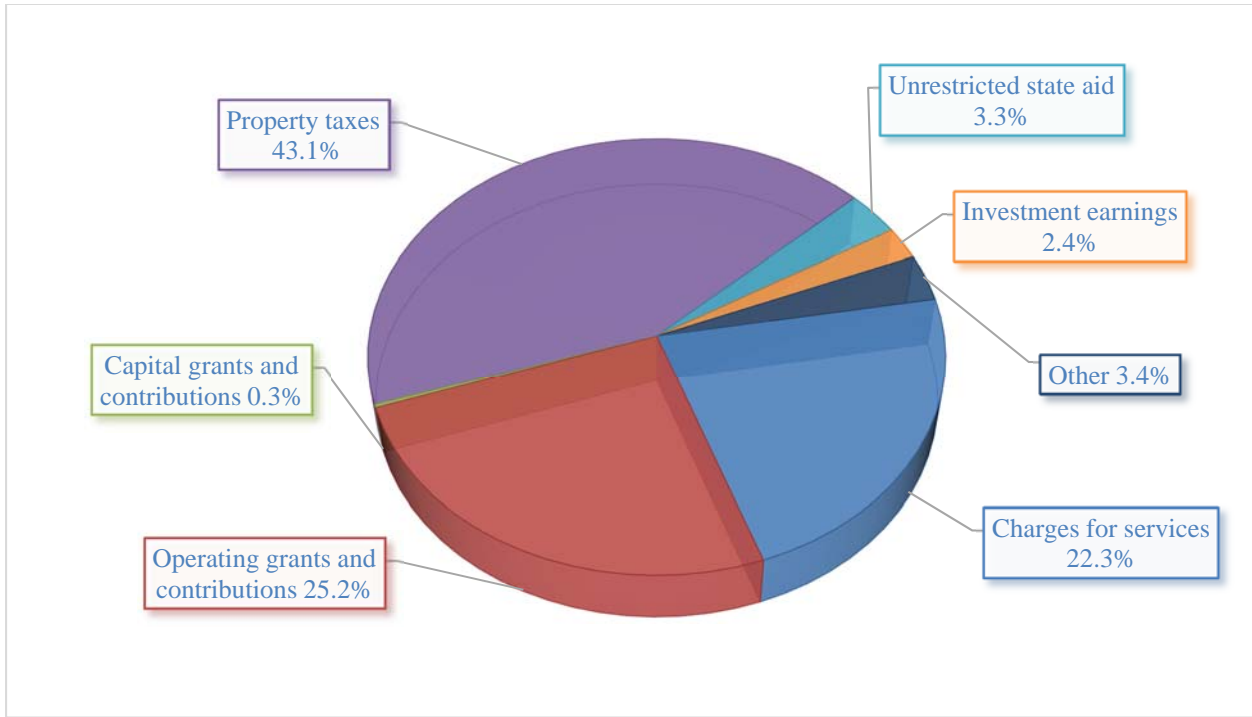
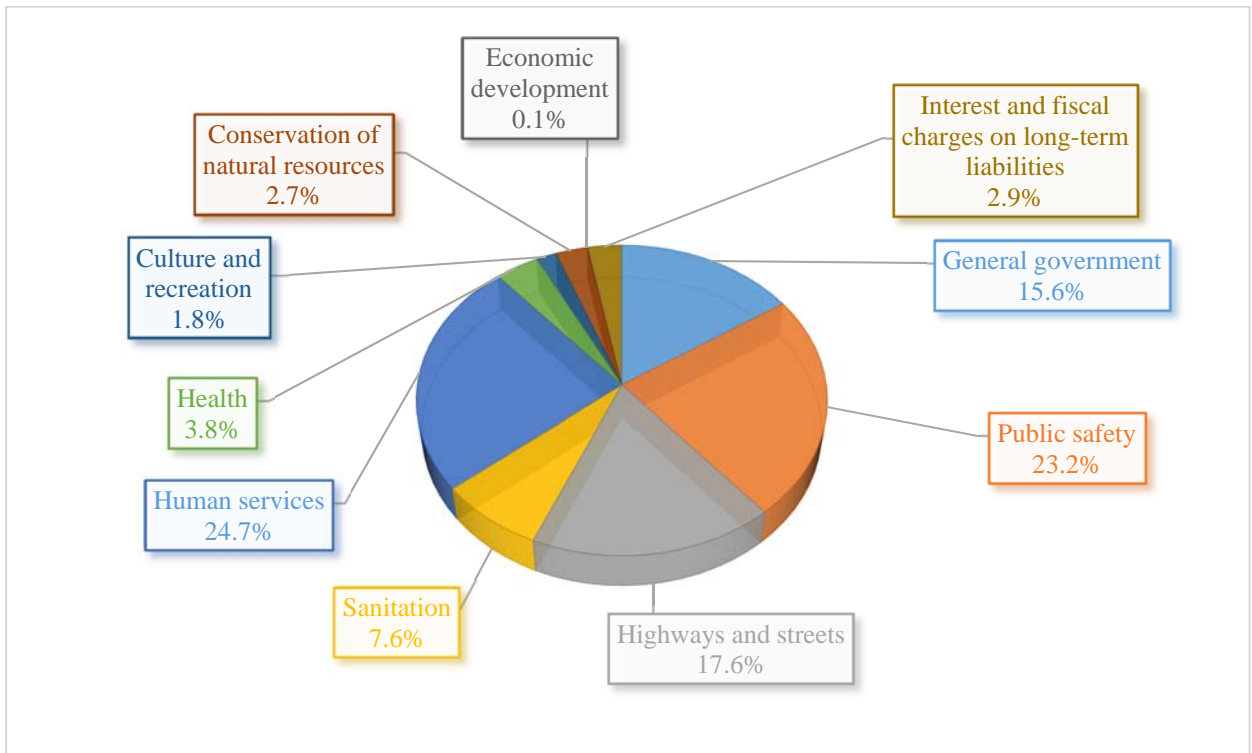


Figure A-4
Sources of County Expenses for Fiscal Year 2014



(Unaudited)

Total revenues surpassed expenses, increasing net position \$7,833,652 over last year.

The County-wide cost of all governmental activities this year was \$60,461,142.

- Some of the cost was paid by the users of the County’s programs (\$15,237,078).
- The federal and state governments subsidized certain programs with grants and contributions (\$17,393,806).
- Some of the County’s costs (\$27,830,258), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$28,943,177 in property taxes; and \$6,720,733 of state aid, 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		Percent (%) Change
	2014	2013		2014	2013	
General government	\$ 9,443,836	\$ 9,480,253	(0.4)	\$ 7,007,502	\$ 6,661,003	5.2
Public safety	14,020,608	13,664,193	2.6	10,953,771	11,054,511	(0.9)
Highways and streets	10,667,325	7,948,171	34.2	3,174,380	(474,274)	769.3
Sanitation	4,619,166	5,250,311	(12.0)	(3,170,976)	(1,827,540)	(73.5)
Human services	14,901,825	14,130,639	5.4	6,532,647	6,402,603	2.0
Health	2,282,762	2,609,878	(12.5)	533,082	608,094	(12.3)
Culture and recreation	1,071,324	1,173,908	(8.7)	666,992	668,270	(0.2)
Conservation of natural resources	1,642,070	1,113,896	47.4	320,634	(102,798)	411.9
Economic development	31,852	32,801	(2.9)	31,852	32,801	(2.9)
Interest and fiscal charges on long-term liabilities	1,780,374	2,100,663	(15.3)	1,780,374	2,100,663	(15.3)
Total	\$ 60,461,142	\$ 57,504,713	5.2	\$ 27,830,258	\$ 25,123,333	10.8

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 \$62,998,927.

Revenues for the County’s governmental funds were \$70,323,598, while total expenditures were \$71,439,347. During 2014, 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	
	2014	2013	Increase (Decrease)	Percent (%)
Taxes	\$ 15,188,735	\$ 14,822,676	\$ 366,059	2.5
Intergovernmental	4,543,682	4,685,779	(142,097)	(3.0)
Charges for services	3,625,369	3,360,480	264,889	7.9
Investment earnings	683,111	(301,515)	984,626	326.6
Miscellaneous and other	1,877,907	1,915,765	(37,858)	(2.0)
Total General Fund Revenues	\$ 25,918,804	\$ 24,483,185	\$ 1,435,619	5.9

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

**Table A-7
General Fund Expenditures**

	Year Ended December 31		Change	
	2014	2013	Increase (Decrease)	Percent (%)
General government	\$ 7,631,508	\$ 7,771,937	\$ (140,429)	(1.8)
Public safety	13,210,743	12,899,496	311,247	2.4
Sanitation	-	14	(14)	(100.0)
Health	2,275,744	2,619,805	(344,061)	(13.1)
Culture and recreation	463,676	494,969	(31,293)	(6.3)
Conservation of natural resources	1,003,620	586,852	416,768	71.0
Economic development	31,852	32,801	(949)	(2.9)
Debt service	278,180	227,731	50,449	22.2
Total General Fund Expenditures	\$ 24,895,323	\$ 24,633,605	\$ 261,718	1.1

General Fund Budgetary Highlights

- Actual revenues were \$2,833,704 more than budget.
- Actual expenditures were \$2,201,119 less than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014, the County had invested \$218,050,794 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 \$4,912,127.

**Table A-8
Capital Assets**

	2014	2013	Percent (%) Change
Land	\$ 6,209,389	\$ 5,987,379	3.7
Landfill	6,114,861	4,418,445	38.4
Infrastructure	136,752,371	127,117,347	7.6
Buildings	45,791,617	45,066,602	1.6
Machinery, vehicles, furniture, and equipment	16,256,737	15,658,143	3.8
Construction in progress	6,610,337	14,326,156	(53.9)
Software	315,482	315,482	-
Less: accumulated depreciation	(57,085,486)	(52,373,133)	9.0
Total Capital Assets	<u>\$ 160,965,308</u>	<u>\$ 160,516,421</u>	0.3

Debt

At year-end, the County had outstanding debt of \$52,931,164 versus \$53,507,757 last year, a decrease of 1.1 percent as shown in Table A-9.

**Table A-9
Outstanding Debt**

	2014	2013	Percent (%) Change
General obligation bonds	\$ 21,505,000	\$ 19,840,000	8.4
Special assessment bonds	16,870,000	18,070,000	(6.7)
Capital lease	1,687,310	2,063,610	(18.2)
Deferred (discount) premiums	409,831	(52,302)	883.6
Loans payable	12,459,023	13,586,449	(8.3)
Total Outstanding Debt	<u>\$ 52,931,164</u>	<u>\$ 53,507,757</u>	(1.1)

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 POSITION
DECEMBER 31, 2014**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Kandiyohi County Housing and Redevelopment Authority</u>
<u>Assets</u>		
Current assets		
Cash and investments	\$ 57,957,309	\$ 875,988
Cash with escrow agent	3,235,549	-
Taxes receivable - net	462,063	73,469
Special assessments receivable - net	61,553	-
Accounts receivable - net	463,683	46,904
Accrued interest receivable	89,713	-
Property available for resale	-	94,500
Due from other governments	3,030,938	-
Current portion of loans receivable	435,000	-
Current portion of long-term receivable	18,667	-
Rent receivable	-	6,191
Inventories	416,221	-
Prepaid items	-	21,991
Noncurrent assets		
Special assessments receivable - net	14,679,719	-
Accounts receivable - net	2,018,793	-
Loans receivable	2,539,707	-
Long-term receivable	125,998	-
Other postemployment benefits receivable	309,088	-
Restricted assets		
Cash and pooled investments	-	97,404
Capital assets		
Non-depreciable	12,819,726	82,361
Depreciable - net of accumulated depreciation	148,145,582	860,767
Total Assets	<u>\$ 246,809,309</u>	<u>\$ 2,159,575</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Primary Government Governmental Activities	Component Unit Kandiyohi County Housing and Redevelopment Authority
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 1,198,965	\$ 36,012
Salaries payable	1,530,339	-
Accrued payroll and payroll taxes	-	134,912
Contracts payable	339,888	-
Due to other governments	587,875	-
Accrued interest payable	603,605	4,133
Unearned revenue	671,308	3,029
Other accrued liabilities	-	1,397
Restricted liabilities payable from restricted assets		
Security deposits	-	13,520
Long-term liabilities		
Due within one year	8,909,134	47,728
Due in more than one year	55,135,520	1,053,495
	\$ 68,976,634	\$ 1,294,226
<u>Deferred Inflows of Resources</u>		
Property taxes levied for subsequent years expenditures	\$ -	\$ 79,389
<u>Net Position</u>		
Net investment in capital assets	\$ 116,928,096	\$ (158,095)
Restricted for		
General government	502,686	-
Public safety	932,784	-
Highways and streets	847,897	-
Sanitation	5,062,620	-
Conservation of natural resources	630,400	-
Debt service	13,393,495	-
Other purpose	-	66,445
Unrestricted	39,534,697	877,610
	\$ 177,832,675	\$ 785,960

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 9,443,836	\$ 2,333,159
Public safety	14,020,608	1,770,207
Highways and streets	10,667,325	687,608
Sanitation	4,619,166	7,667,381
Human services	14,901,825	925,950
Health	2,282,762	589,004
Culture and recreation	1,071,324	340,851
Conservation of natural resources	1,642,070	922,918
Economic development	31,852	-
Interest	1,780,374	-
Total Primary Government	\$ 60,461,142	\$ 15,237,078
Component unit		
Kandiyohi County Housing and Redevelopment Authority	\$ 2,072,091	\$ 668,097

General Revenues

Property taxes, levied for general purposes
Gravel taxes
Mortgage registry and deed tax
Wheelage tax
Property taxes, levied for HRA
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
Gain on sale of capital assets

Special Item

Forgiveness of debt

Total general revenues and special item

Change in net position

Net Position - Beginning

Net Position - Ending

EXHIBIT 2

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</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>
\$ 103,175	\$ -	\$ (7,007,502)	
1,296,630	-	(10,953,771)	
6,628,278	177,059	(3,174,380)	
122,761	-	3,170,976	
7,443,228	-	(6,532,647)	
1,160,676	-	(533,082)	
63,481	-	(666,992)	
398,518	-	(320,634)	
-	-	(31,852)	
-	-	(1,780,374)	
<u>\$ 17,216,747</u>	<u>\$ 177,059</u>	<u>\$ (27,830,258)</u>	
<u>\$ 1,191,552</u>	<u>\$ -</u>		<u>\$ (212,442)</u>
		\$ 28,943,177	\$ -
		63,827	-
		31,250	-
		401,637	-
		-	156,232
		252,148	-
		2,264,526	-
		1,624,859	2,661
		2,061,334	-
		21,152	-
		-	11,636
		<u>\$ 35,663,910</u>	<u>\$ 170,529</u>
		\$ 7,833,652	\$ (41,913)
		<u>169,999,023</u>	<u>827,873</u>
		<u>\$ 177,832,675</u>	<u>\$ 785,960</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and investments	\$ 15,303,492	\$ 5,139,732	\$ 4,700,633
Cash with escrow agent	-	-	-
Taxes receivable			
Delinquent	238,203	62,490	94,355
Special assessments			
Delinquent	22,904	-	-
Noncurrent	1,512,407	-	-
Accounts receivable	202,001	132	-
Accrued interest receivable	64,014	6,094	-
Due from other funds	143,765	-	-
Due from other governments	547,642	1,434,892	769,515
Inventories	-	416,221	-
Advance to other funds	-	-	-
Loans receivable	-	-	-
Long-term receivable	-	-	-
	\$ 18,034,428	\$ 7,059,561	\$ 5,564,503
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 312,318	\$ 257,879	\$ 301,761
Salaries payable	936,627	127,771	374,306
Contracts payable	-	205,330	-
Due to other funds	209	33,817	10,770
Due to other governments	375,928	18,585	89,228
Unearned revenue	671,308	-	-
Advance from other funds	-	-	-
	\$ 2,296,390	\$ 643,382	\$ 776,065
Deferred Inflows of Resources			
Unavailable revenue	\$ 1,749,382	\$ 960,477	\$ 78,592

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>
\$ 11,999,292	\$ 5,506,168	\$ 7,068,605	\$ 1,511,392	\$ 6,727,995	\$ 57,957,309
-	-	3,235,549	-	-	3,235,549
-	7,010	31,690	-	28,315	462,063
-	-	28,737	3,912	6,000	61,553
-	-	11,984,356	779,443	403,513	14,679,719
1,401,146	3	359,108	-	520,086	2,482,476
16,802	1,885	-	-	918	89,713
-	-	-	-	31,967	175,732
452	165	99,122	-	179,150	3,030,938
-	-	-	-	-	416,221
-	126,891	-	-	-	126,891
-	-	2,974,707	-	-	2,974,707
-	144,665	-	-	-	144,665
<u>\$ 13,417,692</u>	<u>\$ 5,786,787</u>	<u>\$ 25,781,874</u>	<u>\$ 2,294,747</u>	<u>\$ 7,897,944</u>	<u>\$ 85,837,536</u>
\$ 140,425	\$ 4,257	\$ 73	\$ -	\$ 182,252	\$ 1,198,965
30,608	-	-	-	61,027	1,530,339
-	-	-	134,558	-	339,888
69	-	-	-	130,867	175,732
25,672	680	22,717	-	55,065	587,875
-	-	-	-	-	671,308
-	-	-	-	126,891	126,891
<u>\$ 196,774</u>	<u>\$ 4,937</u>	<u>\$ 22,790</u>	<u>\$ 134,558</u>	<u>\$ 556,102</u>	<u>\$ 4,630,998</u>
<u>\$ 1,229,441</u>	<u>\$ 7,157</u>	<u>\$ 12,365,589</u>	<u>\$ 783,258</u>	<u>\$ 1,033,715</u>	<u>\$ 18,207,611</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge	Human Services
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)			
Fund Balances			
Nonspendable			
Inventories	\$ -	\$ 416,221	\$ -
Advances to other funds	-	-	-
Restricted for			
Debt service	-	-	-
Recorder's equipment purchases	463,184	-	-
Sheriff's contingency	123,872	-	-
Forfeited property	171,931	-	-
Permit to carry	169,747	-	-
Public safety	61,719	-	-
Sanitation	-	-	-
Donations - public safety	7,187	-	-
Enhanced 911	398,328	-	-
Gravel pit restoration	201,121	-	-
ISTS loans	39,502	-	-
Closure/postclosure	-	-	-
Ditch maintenance and repairs	-	-	-
Committed to			
Repairs and maintenance of county buildings	-	-	-
Purchases of capital equipment	-	-	-
Eagle Lake Sewer	-	-	-
Green Lake Sewer	-	-	-
Library operations and building maintenance	-	-	-
DARE program	-	-	-
Health and Human Services building operations and maintenance	-	-	-
Assigned to			
Highways and streets	-	5,039,481	-
Human services	-	-	4,709,846
Capital projects	-	-	-
Unassigned	12,352,065	-	-
Total Fund Balances	\$ 13,988,656	\$ 5,455,702	\$ 4,709,846
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 18,034,428	\$ 7,059,561	\$ 5,564,503

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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 416,221
-	126,891	-	-	-	126,891
-	-	13,393,495	-	-	13,393,495
-	-	-	-	-	463,184
-	-	-	-	-	123,872
-	-	-	-	-	171,931
-	-	-	-	-	169,747
-	-	-	-	-	61,719
5,062,620	-	-	-	-	5,062,620
-	-	-	-	-	7,187
-	-	-	-	-	398,328
-	-	-	-	-	201,121
-	-	-	-	-	39,502
6,928,857	-	-	-	-	6,928,857
-	-	-	-	423,299	423,299
-	5,647,802	-	-	-	5,647,802
-	-	-	-	3,652,801	3,652,801
-	-	-	-	259,183	259,183
-	-	-	-	1,679,684	1,679,684
-	-	-	-	224,765	224,765
-	-	-	-	34,031	34,031
-	-	-	-	615,632	615,632
-	-	-	-	-	5,039,481
-	-	-	-	-	4,709,846
-	-	-	1,376,931	-	1,376,931
-	-	-	-	(581,268)	11,770,797
<u>\$ 11,991,477</u>	<u>\$ 5,774,693</u>	<u>\$ 13,393,495</u>	<u>\$ 1,376,931</u>	<u>\$ 6,308,127</u>	<u>\$ 62,998,927</u>
<u>\$ 13,417,692</u>	<u>\$ 5,786,787</u>	<u>\$ 25,781,874</u>	<u>\$ 2,294,747</u>	<u>\$ 7,897,944</u>	<u>\$ 85,837,536</u>

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Fund balances - total governmental funds (Exhibit 3)		\$ 62,998,927
Amounts reported for governmental activities in the statement of net position 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.		160,965,308
Revenue in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		18,207,611
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	\$ (21,505,000)	
Special assessment bonds	(16,870,000)	
Unamortized premium on bonds	(547,121)	
Unamortized discount on bonds	137,290	
Capital leases payable	(1,687,310)	
Loans payable	(12,459,023)	
Estimated liability for landfill closure/postclosure	(6,928,857)	
Compensated absences	(4,184,633)	
Net other postemployment benefits	<u>309,088</u>	(63,735,566)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		<u>(603,605)</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 177,832,675</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 15,188,735	\$ 4,271,103	\$ 5,837,439
Special assessments	272,029	-	-
Licenses and permits	442,145	-	-
Intergovernmental	4,543,682	7,147,472	8,320,043
Charges for services	3,625,369	663,587	718,859
Fines and forfeits	113,864	-	-
Gifts and contributions	55,813	-	785
Investment earnings	683,111	56,167	-
Miscellaneous	994,056	24,021	207,091
Total Revenues	\$ 25,918,804	\$ 12,162,350	\$ 15,084,217
Expenditures			
Current			
General government	\$ 7,631,508	\$ -	\$ -
Public safety	13,210,743	-	-
Highways and streets	-	10,718,376	-
Sanitation	-	-	-
Human services	-	-	14,895,416
Health	2,275,744	-	-
Culture and recreation	463,676	-	-
Conservation of natural resources	1,003,620	-	-
Economic development	31,852	-	-
Intergovernmental			
Highways and streets	-	371,542	-
Culture and recreation	-	-	-
Capital outlay			
Sanitation	-	-	-
Debt service			
Principal	236,842	440,000	-
Interest	41,338	115,715	-
Administrative (fiscal) charges	-	2,875	-
Bond issuance costs	-	-	-
Total Expenditures	\$ 24,895,323	\$ 11,648,508	\$ 14,895,416
Excess of Revenues Over (Under) Expenditures	\$ 1,023,481	\$ 513,842	\$ 188,801

EXHIBIT 5

<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>
\$ -	\$ 370,732	\$ 1,953,294	\$ -	\$ 1,832,548	\$ 29,453,851
-	-	1,800,723	75,095	717,993	2,865,840
1,080	-	-	-	-	443,225
122,761	32,528	1,976	-	221,914	20,390,376
3,550,048	-	1,315,664	-	1,279,083	11,152,610
-	-	-	-	17,141	131,005
-	-	-	-	-	56,598
663,993	127,001	-	-	248,063	1,778,335
620,408	250,485	202,057	-	1,753,640	4,051,758
\$ 4,958,290	\$ 780,746	\$ 5,273,714	\$ 75,095	\$ 6,070,382	\$ 70,323,598
\$ -	\$ 502,813	\$ -	\$ -	\$ 1,028,179	\$ 9,162,500
-	-	-	-	173,524	13,384,267
-	-	-	-	378,270	11,096,646
2,484,893	-	-	-	1,431,653	3,916,546
-	-	-	-	-	14,895,416
-	-	-	-	-	2,275,744
-	49,879	-	-	185,191	698,746
-	27,654	-	-	434,760	1,466,034
-	-	-	-	-	31,852
-	-	-	-	-	371,542
-	-	-	-	352,700	352,700
-	-	-	1,517,086	-	1,517,086
-	-	9,360,000	-	376,300	10,413,142
-	-	1,460,275	-	97,966	1,715,294
-	-	17,770	-	-	20,645
-	-	82,196	38,991	-	121,187
\$ 2,484,893	\$ 580,346	\$ 10,920,241	\$ 1,556,077	\$ 4,458,543	\$ 71,439,347
\$ 2,473,397	\$ 200,400	\$ (5,646,527)	\$ (1,480,982)	\$ 1,611,839	\$ (1,115,749)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ 13,744	\$ -	\$ -
Transfers out	(83,003)	-	-
Loans issued	294,416	-	-
Bonds issued	-	-	-
Refunding bonds issued	-	-	-
Premium on bonds/notes issued	-	-	-
Proceeds from sale of capital assets	20,254	-	-
Total Other Financing Sources (Uses)	\$ 245,411	\$ -	\$ -
Net Changes in Fund Balances	\$ 1,268,892	\$ 513,842	\$ 188,801
Fund Balance - January 1	12,719,764	4,900,109	4,521,045
Increase (decrease) in inventories	-	41,751	-
Fund Balance - December 31	\$ 13,988,656	\$ 5,455,702	\$ 4,709,846

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>
\$ 67,633	\$ 56,601	\$ 640,529	\$ 1,010,203	\$ 22,905	\$ 1,811,615
(1,000,000)	(54,975)	(22,905)	-	(650,732)	(1,811,615)
-	-	-	-	-	294,416
-	-	-	1,785,000	-	1,785,000
-	-	7,295,000	-	-	7,295,000
-	-	454,436	51,956	-	506,392
-	898	-	-	-	21,152
<u>\$ (932,367)</u>	<u>\$ 2,524</u>	<u>\$ 8,367,060</u>	<u>\$ 2,847,159</u>	<u>\$ (627,827)</u>	<u>\$ 9,901,960</u>
\$ 1,541,030	\$ 202,924	\$ 2,720,533	\$ 1,366,177	\$ 984,012	\$ 8,786,211
10,450,447	5,571,769	10,672,962	10,754	5,324,115	54,170,965
-	-	-	-	-	41,751
<u>\$ 11,991,477</u>	<u>\$ 5,774,693</u>	<u>\$ 13,393,495</u>	<u>\$ 1,376,931</u>	<u>\$ 6,308,127</u>	<u>\$ 62,998,927</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, 2014**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 8,786,211

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 unavailable revenue.

Unavailable revenue - December 31	\$ 18,207,611	
Unavailable revenue - January 1	<u>(20,257,567)</u>	(2,049,956)

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 position differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 5,364,595	
Net book value of assets sold	(3,581)	
Current year depreciation	<u>(4,912,127)</u>	448,887

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 position. Also, governmental funds report the net effect of 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 position.

Debt issued		
Loans issued	\$ (294,416)	
Refunding bonds issued	(7,295,000)	
Solid waste bonds issued	(1,785,000)	
Premium on bonds issued	<u>(506,392)</u>	(9,880,808)

Principal repayments		
General obligation bonds	\$ 7,415,000	
Special assessment bonds	1,200,000	
Capital leases	376,300	
Loans payable	<u>1,421,842</u>	10,413,142

**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, 2014**

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	\$	32,493	
Current year amortization of premium on bonds issued		57,836	
Current year amortization of discount on bonds issued		(13,577)	
Change in compensated absences		(21,200)	
Change in net other postemployment benefits		5,161	
Change in inventories		41,751	
Change in estimated liability for landfill closure/postclosure		13,712	116,176
Change in Net Position of Governmental Activities (Exhibit 2)			<u>\$ 7,833,652</u>

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FIDUCIARY FUND

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2014**

	<u>Agency Fund</u>
<u>Assets</u>	
Cash and investments	\$ <u>1,357,349</u>
<u>Liabilities</u>	
Due to other governments	\$ <u>1,357,349</u>

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). 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 the organization; or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Blended Component Unit

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

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements
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.

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements
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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 5.D. The County also participates in a jointly-governed organization described in Note 5.E.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position 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 position, 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 position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. 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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

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.

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 County not accounted for and reported in another fund.

The Road and Bridge Special Revenue Fund accounts for restricted revenue sources from the federal, state, and other oversight agencies, as well as unrestricted property tax revenues for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund accounts for restricted revenue sources from the federal, state, and other oversight agencies, as well as unrestricted property tax revenues used for economic assistance and community social services programs.

The Sanitary Landfill/Recycling Center Special Revenue Fund accounts 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 accounts for committed financial resources, primarily property tax revenues, for improvements to and purchases of County buildings.

**KANDIYOHI COUNTY
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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Debt Service Fund accounts for the accumulation of restricted resources used for, and the payment of, principal, interest, and related costs of the County's debt obligations.

The Capital Projects Fund accounts for financial resources for the construction of major capital facilities of the County.

Additionally, the County reports the following fund type:

Fiduciary Fund

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. This fund accounts 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 general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuances of long-term debt and acquisitions under capital leases are reported as other financing sources.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position 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, 2014, 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. In 2014, the County reported pooled investment earnings of \$683,111.

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. The investment in the pool is measured at the amortized cost per share provided by the pool, which would closely approximate fair value.

2. Receivables and Payables

Activities 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."

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

2. Receivables and Payables (Continued)

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.

Special assessments receivable consist of delinquent special assessments payable in the years 2001 through 2014 and noncurrent special assessments payable in 2015 and after. All special assessments receivable are shown net of an allowance for uncollectible.

3. Inventories and Prepaid Items

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 and are equally offset by nonspendable fund balance to indicate that they do not constitute available spendable resources. Inventories at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position 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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

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 \$5,000 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.

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
Software	5

6. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation 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. 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. Compensated absences are accrued when incurred in the government-wide financial statements.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts 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 expensed in the year the debt is issued.

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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to future periods(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available and consists of receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

10. Classification of Net Position

Net position in the government-wide financial statement is classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

10. Classification of Net Position (Continued)

Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

11. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount of fund balance that is not restricted or committed.

Unassigned - the residual classification for the General Fund, it includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

11. Classification of Fund Balances (Continued)

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. The County does not have a formal policy for its use of unrestricted fund balance amounts; therefore, it considers committed amounts used first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. Kandiyohi County's desired minimum level of unrestricted fund balance is a five-month average of operating expenditures during the previous year. This amount of unrestricted fund balance should provide the County with adequate funds until the next property tax revenue collection cycle.

The County Auditor/Treasurer is authorized to evaluate, classify and assign fund balance in accordance with GASB Statement 54. In governmental funds other than the General Fund, the assignment must follow Kandiyohi County's intent for the specific purpose of the individual funds. Therefore, all remaining positive fund balances in the special revenue, debt service, and capital projects funds are classified as assigned.

12. 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. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting the new standard.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Regional Treatment Center Special Revenue Fund

At December 31, 2014, the Regional Treatment Center Special Revenue Fund had a deficit fund balance of \$279,477. This deficit is expected to be eliminated through the collection of future lease payments and possible transfers from other County funds.

B. Expenditures in Excess of Budget

The Capital Equipment Special Revenue Fund expenditures exceeded budget by \$588,344 because the County budgeted zero expenditures for the fund.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and investments	\$ 57,957,309
Cash with escrow agent	3,235,549
Statement of fiduciary net position	
Cash and investments	<u>1,357,349</u>
 Total Cash and Investments	 <u>\$ 62,550,207</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.

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 other than complying with the requirements of Minnesota statutes. As of December 31, 2014, the County's deposits were not exposed to custodial credit risk.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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;
- (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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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. The Bremer repurchase agreement has custodial credit risk. The County has no other custodial credit risk for investments as of December 31, 2014.

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, 2014, and information relating to potential investment risks:

	<u>Credit Risk</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>More Than 5 Years</u>	<u>Total Fair Value</u>
U.S. government securities/bonds					
Federal Home Loan Bank	Aaa	\$ 100,003	\$ 347,418	\$ 14,389,059	\$ 14,836,480
Federal National Mortgage Association	Aaa	-	5,088,787	76,562	5,165,349
Federal Home Loan Mortgage Corporation	Aaa	-	519,398	205,898	725,296
Federal Farm Credit Bank	Aaa	-	429,435	97,645	527,080
Total U.S. government securities/bonds		\$ 100,003	\$ 6,385,038	\$ 14,769,164	\$ 21,254,205

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

	<u>Credit Risk</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>More Than 5 Years</u>	<u>Total Fair Value</u>
U.S. government treasury notes	Aaa	-	299,125	-	299,125
State and local government taxable revenue bonds	Aaa/Aa/NR	222,332	876,543	2,633,014	3,731,889
State and local government tax exempt municipal bonds	Aaa/Aa	404,309	193,537	-	597,846
Repurchase agreements	NR	9,952,588	-	-	9,952,588
Investment pools - MAGIC Fund	NR	11,933,310	-	-	11,933,310
Money market accounts with brokers	NR	38,470	-	-	38,470
Negotiable certificates of deposit	NR	248,769	2,829,820	234,844	3,313,433
		<u>\$ 22,899,781</u>	<u>\$ 10,584,063</u>	<u>\$ 17,637,022</u>	<u>\$ 51,120,866</u>
Total investments					
Deposits					8,137,685
Departmental cash					53,592
Petty cash					2,515
Cash with escrow agent					3,235,549
Total Cash and Investments					<u>\$ 62,550,207</u>

2. Receivables

Receivables as of December 31, 2014, are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Funds		
Receivables		
Taxes	\$ 462,063	\$ -
Special assessments	14,741,272	14,679,719
Accounts	2,482,476	2,018,793
Accrued interest	89,713	-
Due from other governments	3,030,938	-
Loans	2,974,707	2,539,707
Long-term	144,665	125,998
Total receivables	<u>\$ 23,925,834</u>	<u>\$ 19,364,217</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Loans Receivable

In December 2005, the County Board approved a \$6,135,000 loan at an interest rate of 3.125 to 5.300 percent to Bushmills Ethanol, Inc., for the construction of an ethanol plant. As of December 31, 2014, there was \$2,879,707 remaining on the loan. In 2008, the County issued \$605,000 in bond principal to be used by the County to purchase the City of Willmar radio equipment in consideration of the City's agreement to make payments on the amount. As of December 31, 2014, there was \$95,000 remaining on the loan.

Loans outstanding at January 1, 2014	\$ 3,389,707
Loan repayments	<u>415,000</u>
Ending Balance December 31, 2014	<u>\$ 2,974,707</u>

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, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 5,987,379	\$ 222,010	\$ -	\$ 6,209,389
Construction in progress	14,326,156	3,572,297	11,288,116	6,610,337
Total capital assets not depreciated	\$ 20,313,535	\$ 3,794,307	\$ 11,288,116	\$ 12,819,726
Capital assets depreciated				
Landfill	\$ 4,418,445	\$ 1,696,416	\$ -	\$ 6,114,861
Buildings	45,066,602	725,015	-	45,791,617
Machinery, vehicles, furniture, and equipment	15,658,143	801,949	203,355	16,256,737
Infrastructure	127,117,347	9,635,024	-	136,752,371
Software	315,482	-	-	315,482
Total capital assets depreciated	\$ 192,576,019	\$ 12,858,404	\$ 203,355	\$ 205,231,068
Less: accumulated depreciation for				
Landfill	\$ 1,282,201	\$ 148,233	\$ -	\$ 1,430,434
Buildings	13,107,585	1,020,746	-	14,128,331
Machinery, vehicles, furniture, and equipment	10,038,015	1,061,310	199,774	10,899,551
Infrastructure	27,782,147	2,618,741	-	30,400,888
Software	163,185	63,097	-	226,282
Total accumulated depreciation	\$ 52,373,133	\$ 4,912,127	\$ 199,774	\$ 57,085,486
Total capital assets depreciated, net	\$ 140,202,886	\$ 7,946,277	\$ 3,581	\$ 148,145,582
Governmental Activities Capital Assets, Net	\$ 160,516,421	\$ 11,740,584	\$ 11,291,697	\$ 160,965,308

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	630,359
Public safety		801,978
Highways and streets, including depreciation of infrastructure assets		2,048,442
Sanitation		1,227,585
Human services		9,382
Culture and recreation		19,558
Conservation of natural resources		174,823
		174,823
Total Depreciation Expense - Governmental Activities	\$	4,912,127

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2014, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General	Road and Bridge	\$ 2,059	Supplies provided
	Human Services	10,770	Charges for services rendered and supplies provided
	Sanitary Landfill	69	Charges for services rendered and supplies provided
	Other nonmajor	130,867	Charges for services rendered, to cover negative cash, and supplies provided
Total due to General Fund		\$ 143,765	
Other nonmajor funds	General	\$ 209	Supplies provided
	Road and Bridge	31,758	Ditch special assessments and charges for services rendered
Total due to other nonmajor funds		\$ 31,967	
Total Due To/From Other Funds		\$ 175,732	

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advance To/From Other Funds

Receivable Fund	Payable Fund	Amount	
County Building	Other nonmajor	\$ 126,891	Boiler decentralization loan

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following:

Transfer to Capital Projects Fund from Sanitary Landfill Special Revenue Fund	\$ 1,000,000	Provide funds for leach APEX project
Transfer to Debt Service Fund from other nonmajor funds	640,529	Provide funds for debt service
Transfer to Capital Projects Fund from other nonmajor funds	10,203	Reimburse Tri-Lakes bond
Transfer to General Fund from County Building Fund	13,744	Adjust 2013 interest allocation
Transfer to Sanitary Landfill Special Revenue Fund from County Building Fund	41,231	Adjust 2013 interest allocation
Transfer to Sanitary Landfill Special Revenue Fund from General Fund	26,402	Prior years carryforward balance
Transfer to County Building Fund from General funds	56,601	Transfer part of cost of new cubicles for downtown building
Transfer to other nonmajor funds from Debt Service Fund	22,905	Report current expenditures in the Debt Service Fund
Total Interfund Transfers	\$ 1,811,615	

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Construction and Other Commitments

The County has active construction projects as of December 31, 2014. The remaining commitment for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2014.

	Expenditures To Date	Remaining Commitment
Capital Projects Fund	\$ 1,551,160	\$ 1,245,482

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 \$580 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 12 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2014, the County expended \$74,700 for these benefits.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Unearned Revenues/Deferred Inflows of Resources

Deferred inflows of resources consist of taxes, special assessments, and state and federal grants receivable not collected soon enough after year-end to pay liabilities of the current period. Unearned revenues consist of state and federal grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2014, are summarized below by fund:

	<u>Taxes</u>	<u>Charges For Services</u>	<u>Special Assessments</u>	<u>Grants and Highway Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds						
General	\$ 169,592	\$ -	\$ 1,527,589	\$ 687,552	\$ 35,957	\$ 2,420,690
Special Revenue		-				
Road and Bridge	44,901		-	909,482	6,094	960,477
Human Services	67,573		-	11,019	-	78,592
Sanitary Landfill/ Recycling Center	-	1,221,520	-	-	7,921	1,229,441
County Building	5,272		-	-	1,885	7,157
Debt Service	22,758		12,342,831	-	-	12,365,589
Capital Projects	-		783,258	-	-	783,258
Other nonmajor funds	20,404	497,235	515,011	-	1,065	1,033,715
Total	<u>\$ 330,500</u>	<u>\$ 1,718,755</u>	<u>\$ 15,168,689</u>	<u>\$ 1,608,053</u>	<u>\$ 52,922</u>	<u>\$ 18,878,919</u>
Liability						
Unearned revenue	\$ -	\$ -	\$ -	\$ 671,308	\$ -	\$ 671,308
Deferred Inflows of Resources						
Unavailable revenue	<u>330,500</u>	<u>1,718,755</u>	<u>15,168,689</u>	<u>936,745</u>	<u>52,922</u>	<u>18,207,611</u>
Total	<u>\$ 330,500</u>	<u>\$ 1,718,755</u>	<u>\$ 15,168,689</u>	<u>\$ 1,608,053</u>	<u>\$ 52,922</u>	<u>\$ 18,878,919</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
General obligation bonds					
2004 Taxable G.O. Tax Abatement Bonds	2022	\$270,000 - \$540,000	3.125 - 5.30	\$ 6,135,000	\$ 3,640,000
2005 G.O. Road Reconstruction Bonds	2027	\$125,000 - \$270,000	3.75 - 4.25	3,700,000	2,720,000
2007 G.O. Law Enforcement Facility Refunding Bonds	2020	\$435,000 - \$695,000	4.00	7,100,000	3,745,000
2008 G.O. Capital Equipment Bonds	2016	\$40,000 - \$510,000	3.00 - 4.80	3,550,000	1,100,000
2009A Capital Improvement Bonds	2016	\$490,000 - \$615,000	2.00 - 3.00	4,010,000	1,220,000
2014A G.O. Law Enforcement Facility Refunding Bonds	2021	\$425,000 - \$1,285,000	2.00 - 3.00	7,295,000	7,295,000
2014B G.O. Solid Waste Bonds	2022	\$240,000 - \$270,000	2.00	1,785,000	1,785,000
Total General Obligation Bonds				<u>\$ 33,575,000</u>	<u>\$ 21,505,000</u>
Special assessment bonds with government commitment					
2008 G.O. Wastewater Revenue Bonds	2030	\$215,000 - \$425,000	3.00 - 4.80	\$ 6,100,000	\$ 5,195,000
2010A G.O. Sewer and Water Revenue Bonds	2032	\$225,000 - \$435,000	3.00 - 4.00	6,245,000	5,790,000
2010B G.O. Sewer and Water Revenue Refunding Bonds	2022	\$380,000 - \$480,000	1.10 - 3.45	4,220,000	3,455,000
2012 G.O. Sewer and Water Revenue Refunding Bonds	2023	\$75,000 - \$305,000	1.275	3,085,000	2,430,000
Total Special Assessment Bonds with Government Commitment				<u>\$ 19,650,000</u>	<u>\$ 16,870,000</u>
Capital Leases with Government Commitment					
16-Bed Community Behavioral Health Hospital	2018	\$148,415 - \$227,959	4.57	<u>\$ 3,710,000</u>	<u>\$ 1,687,310</u>
2000 Public Facilities Authority Clean Water G.O. Revenue Note	2020	\$6,397 - \$455,000	2.25	\$ 7,188,360	\$ 2,584,000
2001 Public Facilities Authority Clean Water G.O. Revenue Note	2021	\$3,344 - \$228,000	2.25	3,648,450	1,493,000
2002 Public Facilities Authority Clean Water G.O. Revenue Note	2021	\$567 - \$40,000	2.14	651,000	264,000
2006A Public Facilities Authority Clean Water G.O. Revenue Note	2026	\$178,876 - \$216,000	1.00	3,761,876	2,460,000

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
2000 Public Facilities Authority Drinking Water G.O. Revenue Note	2019	\$3,054 - \$158,450	3.54	2,262,450	740,450
2001 Public Facilities Authority Drinking Water G.O. Revenue Note	2020	\$1,409 - \$70,000	3.54	1,012,260	386,000
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 Continuation Clean Water Partnership Project	2016	\$17,027	2.00	307,260	66,438
Shakopee Creek Headwaters Clean Water Partnership Project	2015	\$12,907	2.00	232,906	12,779
Hawk Creek Watershed Continuation Clean Water Partnership Project	2020	\$26,804	2.00	483,701	277,898
Shakopee Creek Headwaters Continuation Clean Water Partnership Project	2018	\$11,515	2.00	207,794	88,109
Crow River Basin Clean Water Partnership Project	2021	\$23,752	2.00	370,772	252,111
Shakopee Creek Headwaters Continuation Clean Water Partnership Project	2021	\$14,408	2.00	166,331	119,859
Hawk Creek Watershed Continuation Clean Water Partnership Project	2023	\$26,799	2.00	407,235	370,061
Crow River Watershed - Reducing Surface Water Runoff Project	2024	\$16,678	2.00	300,971	287,302
Chippewa River Accelerated Restoration Clean Water Partnership Project*	2025	\$11,526	2.00	116,215	116,215
Hawk Creek Watershed Nitrogen Reduction Clean Water Partnership Project*	2026	\$23,053	2.00	122,677	122,677
Chippewa River Accelerated Restoration Clean Water Partnership Project*	2026	\$20,365	2.00	150,000	150,000
City of New London USDA Rural Development	2029	\$85,000 - \$125,000	2.00 - 3.10	1,735,000	1,460,000
Total Loans Payable				<u>\$ 24,333,382</u>	<u>\$ 12,459,023</u>

*The outstanding balance for these loans represents the amount received from the Minnesota Pollution Control Agency as of December 31, 2014. The County has not finished drawing down funds on these loans; therefore, final debt payment schedules are not available. The following payment schedule does not include the debt service requirements on these loans.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

On June 26, 2014, the County issued \$7,295,000 General Obligation Refunding Bonds, Series 2014A, with an interest rate of 2.00-3.00 percent to refund \$4,215,000 of outstanding General Obligation Law Enforcement Facility Refunding Bonds, Series 2004B, with an average interest rate of 4.0 percent and \$3,080,000 of General Obligation Law Enforcement Facility Refunding Bonds Series, 2007A, with an interest rate of 4.0 percent. The 2004B bonds were redeemed in 2014. The County refunded the bonds to reduce its total debt service payments by \$496,023 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$421,557.

The refunding of the 2007A bonds will be conducted by means of a crossover refunding mechanism. The County will continue to make principal and interest payments on the refunded bonds through the call date of February 1, 2015. The County refunded the bonds to reduce its total debt service payments by \$211,032 and to obtain an economic gain of \$214,798.

On December 23, 2014, the County issued General Obligation Solid Waste Bonds, Series 2014B, in the amount of \$1,785,000 with an interest rate of 2.0 percent to finance technological upgrades of the solid waste system in the County.

5. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

Year Ending December 31	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 5,855,000	\$ 660,880	\$ 1,220,000	\$ 560,341
2016	3,040,000	498,456	1,260,000	531,979
2017	1,920,000	419,111	1,285,000	501,509
2018	1,990,000	352,341	1,315,000	468,951
2019	2,850,000	306,786	1,360,000	433,430
2020 - 2024	5,080,000	476,603	5,050,000	1,581,102
2025 - 2029	770,000	50,027	3,695,000	773,464
2030 - 2034	-	-	1,685,000	87,000
Total	\$ 21,505,000	\$ 2,764,204	\$ 16,870,000	\$ 4,937,776

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Debt Service Requirements (Continued)

Year Ending December 31	Loans		Capital Leases	
	Principal	Interest	Principal	Interest
2015	\$ 1,265,818	\$ 208,128	\$ 393,688	\$ 72,644
2016	1,371,481	197,364	411,881	54,452
2017	1,365,788	167,300	430,914	35,419
2018	1,398,723	137,808	450,827	15,506
2019	1,406,044	106,098	-	-
2020 - 2024	3,044,156	216,234	-	-
2025 - 2029	1,664,000	50,885	-	-
2030 - 2034	554,124	-	-	-
Total	\$ 12,070,134	\$ 1,083,817	\$ 1,687,310	\$ 178,021

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 19,840,000	\$ 9,080,000	\$ 7,415,000	\$ 21,505,000	\$ 5,855,000
Special assessment debt with government commitment	18,070,000	-	1,200,000	16,870,000	1,220,000
Add: premium on bonds	98,565	506,392	57,836	547,121	-
Less: discount on bonds	(150,867)	-	(13,577)	(137,290)	-
Total bonds payable	\$ 37,857,698	\$ 9,586,392	\$ 8,659,259	\$ 38,784,831	\$ 7,075,000
Capital lease	2,063,610	-	376,300	1,687,310	393,688
Loans payable	13,586,449	294,416	1,421,842	12,459,023	1,265,818
Estimated liability for landfill closure/postclosure	6,942,569	-	13,712	6,928,857	-
Compensated absences	4,163,433	676,870	655,670	4,184,633	174,628
Governmental Activities Long-Term Liabilities	\$ 64,613,759	\$ 10,557,678	\$ 11,126,783	\$ 64,044,654	\$ 8,909,134

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

General	\$ 236,842
Road and Bridge Special Revenue	440,000
Debt Service	9,360,000
Other nonmajor funds	376,300
Total Debt Reductions	\$ 10,413,142

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

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 General 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.

General 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 and benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years.

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. 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 General Employees Retirement Fund 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 remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent for each year of service.

For General 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 General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Employees Retirement Fund	\$ 1,160,654	\$ 1,147,636	\$ 1,134,021
Public Employees Police and Fire Fund	352,814	339,781	346,488
Public Employees Correctional Fund	192,379	189,802	184,903

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

B. Defined Contribution Plan

Four County Commissioners of Kandiyohi County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

	Employee	Employer
Contribution amount	\$ 7,384	\$ 7,384
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. 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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plan

C. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

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 2014, the County contributed \$191,179 to the plan; there were 394 participants in the plan.

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	\$	180,909
Interest on net OPEB obligation		(13,677)
Adjustments to ARC		18,786
		186,018
Annual OPEB cost (expense)	\$	186,018
Contributions made		(191,179)
		(5,161)
Increase (Decrease) in net OPEB obligation	\$	(5,161)
Net OPEB Obligation/(Asset) - Beginning of Year		(303,927)
		(309,088)
Net OPEB Obligation/(Asset) - End of Year	\$	(309,088)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plan

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding two years was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/ (Asset)</u>
December 31, 2012	\$ 165,404	\$ 266,038	160.8%	\$ (234,434)
December 31, 2013	167,060	236,553	141.6	(303,927)
December 31, 2014	186,018	191,179	102.8	(309,088)

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial liability for benefits was \$1,583,576, and the actuarial valuation of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,583,576. The covered payroll (annual payroll of active employees covered by the plan) was \$20,520,151, and the ratio of the UAAL to the covered payroll was 7.72 percent.

Actuarial Methods and Assumptions

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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

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, 2014, 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 7.5 percent initially, reduced by decrements to an ultimate rate of five percent after ten years. Both rates included a 2.5 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, 2014, was 23 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 \$6,928,857 with no remaining capacity to be filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Landfill Closure and Postclosure Care Costs (Continued)

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, 2014, cash and investments of \$6,662,699 are held for these purposes. The County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

B. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County is self-insured for employee dental coverage. For other risks, the County carries commercial insurance. There were no significant reductions in insurance coverage from the previous year or settlements in excess of 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 \$480,000 per claim in 2014 and \$490,000 per claim in 2015. 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
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

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 \$35 per month for each participating employee in 2014. The County deposits the County contributions and employee deductions with the administrator. Any claims paid by the administrator in excess of the deposits are billed to the County. The County also pays an administrative charge for the services rendered by the administrator. Financial transactions relating to the self-insurance plan are recorded in the General Fund.

The County has not had an actuarial study of the self-insurance dental plan; it has concluded that the risk of any major losses covered by self-insurance under this plan is covered by the general taxing powers of the County. There were no accrued benefits at December 31, 2014 and 2013. The following discloses the claims activity during fiscal years 2014 and 2013.

	Year Ended December 31	
	2014	2013
Beginning liability	\$ -	\$ -
Current year claims	261,617	250,723
Claim payments	(261,617)	(250,723)
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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Contingent Liabilities (Continued)

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgements, and litigation. 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 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, 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.

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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently, its members include Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; and Southwest Health and Human Services representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

The Board takes actions and enters into such agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction, a system of care that serves the needs of adults with serious and persistent mental illness. The governing board is composed of one board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

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

Crow River Joint Powers Agreement

In April 1999, the County entered into a joint powers agreement with Carver, Hennepin, McLeod, Meeker, Pope, Renville, Sibley, Stearns, and Wright Counties creating the Crow River Joint Powers Agreement. The Agreement is authorized by Minn. Stat. §§ 103B.311 and 103B.315. The Prairie County Resource Conservation and Development Council is the fiscal agent for this Joint Powers Agreement.

The Board of Directors meets at least two times per year, or more often if needed, at the location to be set by the chair of the Joint Powers Board. The purpose of this Agreement is the joint exercise of powers by the member 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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Crow River Joint Powers Agreement (Continued)

The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds. Current financial statements are not available.

Central Minnesota Emergency Services Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39. As of June 1, 2011, the Central Minnesota Regional Radio Board changed its name to the Central Minnesota Emergency Services Board. Members include the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

The Central Minnesota Emergency Services Board is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

In the event of dissolution of the Central Minnesota Emergency Services Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2014, Kandiyohi County contributed \$6,021 to the Joint Powers Board.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

Complete financial information can be obtained from:

Central Minnesota Emergency Services Board
City of St. Cloud
Office of the Mayor
City Hall
400 Second Street South
St. Cloud, Minnesota 56303

Coordinated Enforcement Effort (CEE) VI Task Force

The Coordinated Enforcement Effort (CEE) VI Task Force was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Chippewa, Kandiyohi, Meeker, Swift, and Yellow Medicine Counties and the Cities of Appleton, Clara, Cosmos, Benson, Granite Falls, Litchfield, Montevideo, and Willmar.

Control of the Task Force is vested in a Board of Directors comprised of thirteen members. The Board consists of the department heads or a designee from each participating full-time member agency.

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 contributed \$187,963 in funds to the Task Force. In an agent capacity, Kandiyohi County reports the cash transactions of the CEE VI Task Force in the agency fund on its financial statements.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Putting All Communities Together for Families Collaborative

Putting All Communities Together for Families Collaborative (PACT) was established in 1996 by a joint powers agreement among Kandiyohi, Meeker, Renville, and Yellow Medicine Counties. Effective January 1, 2011, an additional joint powers agreement was entered into to add McLeod County as a fifth County partner to PACT. As a result, the name was changed from PACT 4 Families Collaborative to PACT for Families Collaborative. The joint powers agreements were established to provide coordinated services to children and families. Kandiyohi County has no operational or financial control over the Collaborative.

A county may withdraw from PACT by giving a 30-day written notice to PACT; however, the contribution will remain in the integrated fund for the implementation period. In the event of termination, any property acquired as a result of the agreement and any surplus monies on hand shall be distributed to the parties of this agreement in proportion to their contributions.

Management of PACT is vested in an Executive Board composed of nine members representing all counties. The Board includes an administrative representative of social services, public health services, community corrections, school districts, two parents (one parent of a child diagnosed with a serious emotional disturbance), and three members at large, one of whom is of a mental health background. The Board appoints a fiscal agent to handle and be responsible for safekeeping the funds of PACT.

Renville County Human Services has acted as fiscal agent for PACT since January 1, 2006.

Southern Prairie Health Purchasing Alliance

Kandiyohi County entered into a joint powers agreement on June 26, 2012, with Swift, Chippewa, Redwood, Lyon, Lincoln, Murray, Cottonwood, Jackson, Nobles, Rock, and Yellow Medicine Counties to establish the Southern Prairie Health Purchasing Alliance pursuant to the provisions of Minn. Stat. § 471.59. The purpose of the Alliance is to plan, formulate, operate, and govern a rural care delivery system to improve the health and quality of life of the citizens of member counties. The Joint Powers Board is composed of one representative from each county.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Pioneerland Regional Library System

Kandiyohi County, along with 32 cities and 9 other counties participates in the Pioneerland Library System in order to provide efficient and improved regional library service. The Pioneerland Library System is governed by the Pioneerland Library System Board composed of 35 members appointed by member cities and counties. During the year, the County contributed \$352,700 to the System.

Separate financial information can be obtained from:

Pioneerland Regional Library System
410 5th St. S.W.
Willmar, Minnesota 56201

E. Jointly-Governed Organization

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

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 1989 Minn. Laws, 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.

The EDC is a special taxing district and financed through levies. Kandiyohi County, in a fiscal host capacity, reports the cash transactions of the EDC as an agency fund on its financial statements. 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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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, 2014.

The HRA's government-wide financial statements (the statement of net position 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. Deposits and Investments

The HRA's cash and investments as of June 30, 2014, are summarized as follows:

Unrestricted	
Cash on deposit	\$ 392,129
Investments (certificates of deposit)	483,859
Restricted	
Cash on deposit	<u>97,404</u>
Total	<u>\$ 973,392</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 \$973,392 as of June 30, 2014; the bank balance was \$1,014,795.

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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

C. Deposits and Investments (Continued)

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 or guaranteed obligations that are issues of 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 restricted in Minnesota statutes;
- (d) bankers' acceptances of United States banks;
- (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.

D. Receivables

Receivables for the HRA at June 30, 2014, were as follows:

Accounts	\$	46,904
Taxes		73,469
Rent		6,191
		<hr/>
Total Receivables	\$	<hr/> 126,564 <hr/>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

E. Capital Assets

The HRA's capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 58,917	\$ -	\$ -	\$ 58,917
Landscaping	23,444	-	-	23,444
Total capital assets not depreciated	\$ 82,361	\$ -	\$ -	\$ 82,361
Capital assets depreciated				
Buildings	\$ 1,331,468	\$ 27,948	\$ -	\$ 1,359,416
Carpeting	48,615	-	-	48,615
Machinery, furniture, and equipment	48,362	-	-	48,362
Total capital assets depreciated	\$ 1,428,445	\$ 27,948	\$ -	\$ 1,456,393
Less: accumulated depreciation	560,732	34,894	-	595,626
Total capital assets, depreciated, net	\$ 867,713	\$ (6,946)	\$ -	\$ 860,767
Total Capital Assets, Net	\$ 950,074	\$ (6,946)	\$ -	\$ 943,128

Depreciation expense of \$34,894 was charged to housing and redevelopment expense.

F. Payables

Payables for the HRA at June 30, 2014, were as follows:

Accounts	\$ 36,012
Accrued payroll and payroll taxes	134,912
Accrued interest payable	4,133
Other accrued liabilities	1,397
Total	\$ 176,454

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

G. 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.

H. Long-Term Debt

Long-term debt outstanding at June 30, 2014, for the HRA consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
Essential Function Housing Development Bond of 1997	2031	4.70 - 8.75	\$ 1,530,000	\$ 1,101,223

In conjunction with the Willmar HRA, the Authority entered in to a Housing Resources Performance Pilot Loan Agreement with Minnesota Housing Finance Agency to purchase, rehab, and resell a minimum of four homes in the County to eligible first-time home buyers. The note was initially issued for \$348,561. The note's balance of \$330,030 was paid off during the year ended June 30, 2014, including \$104,319 of it being forgiven by Minnesota Housing.

The estimated debt service requirements as of June 30, 2014, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 47,728	\$ 49,524	\$ 97,252
2016	50,020	47,231	97,251
2017	52,422	44,829	97,251
2018	54,940	42,312	97,252
2019	57,578	39,673	97,251
2020 - 2024	332,122	154,135	486,257
2025 - 2029	419,912	66,345	486,257
2030 - 2031	86,501	1,041	87,542
Total	\$ 1,101,223	\$ 445,090	\$ 1,546,313

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

I. Lease Agreement

The HRA entered into a five-year lease commencing August 1, 2014, for office space with Kandiyohi County. Under the terms of the lease, the HRA is required to make monthly lease payments to the County in the amount of \$3,985. Total HRA rental expense for the year ended June 30, 2014, totaled \$20,404.

The HRA's future minimum rental payments is summarized as follows:

	<u>Amount</u>
2015	\$ 43,835
2016	47,820
2017	47,820
2018	47,820
2019	47,820
2020	<u>3,985</u>
Total	<u>\$ 239,100</u>

J. Risk Management

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

K. 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.

L. Subsequent Event

Subsequent to June 30, 2014, the Willmar HRA will transfer all programs, properties, other assets and liabilities to other entities. Upon completion of all transfers, the Willmar HRA will cease to do business. The Rural Development Intermediary Relending Program along with program's assets and liabilities will be transferred to the City of Willmar and Kandiyohi County Economic Development Commission; Highland Apartments will transfer to the Highland Apartments Limited Partnership; all other programs, properties, other assets, and liabilities will transfer to the Kandiyohi County Housing and Redevelopment Authority,

REQUIRED SUPPLEMENTARY INFORMATION

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 15,306,382	\$ 15,306,382	\$ 15,188,735	\$ (117,647)
Special assessments	-	-	272,029	272,029
Licenses and permits	466,100	466,100	442,145	(23,955)
Intergovernmental	3,392,618	3,392,618	4,543,682	1,151,064
Charges for services	3,184,700	3,184,700	3,625,369	440,669
Fines and forfeits	98,000	98,000	113,864	15,864
Gifts and contributions	3,000	3,000	55,813	52,813
Investment earnings	100,000	100,000	683,111	583,111
Miscellaneous	534,300	534,300	994,056	459,756
Total Revenues	\$ 23,085,100	\$ 23,085,100	\$ 25,918,804	\$ 2,833,704
Expenditures				
Current				
General government				
Board of County Commissioners	\$ 387,600	\$ 387,600	\$ 324,719	\$ 62,881
Court system	28,000	28,000	3,928	24,072
Law library	81,200	81,200	32,895	48,305
County administrator	245,500	245,500	141,951	103,549
Passport	-	-	2,137	(2,137)
Auditor	693,800	693,800	691,873	1,927
License bureau	356,800	356,800	341,825	14,975
External audit	75,000	75,000	93,851	(18,851)
Assessor	484,600	484,600	420,271	64,329
Human resources	217,500	217,500	173,762	43,738
Data processing	1,080,900	1,080,900	828,629	252,271
Communications	-	-	2,310	(2,310)
Computer maintenance	-	-	4,174	(4,174)
GIS services	60,000	60,000	311,423	(251,423)
Elections	6,500	6,500	73,948	(67,448)
County attorney	1,320,759	1,320,759	1,199,874	120,885
County attorney's contingent	-	-	30,310	(30,310)
Recorder	419,400	419,400	387,540	31,860
Records management	72,100	72,100	70,242	1,858
Surveyor	109,100	109,100	120,814	(11,714)
Grounds maintenance building	37,500	37,500	33,745	3,755
Prairie Lakes Youth building	85,400	85,400	60,442	24,958
Courthouse	429,400	429,400	438,545	(9,145)
County office building	68,100	68,100	61,206	6,894
Veterans service	183,200	183,200	193,398	(10,198)
Planning and zoning	484,402	484,402	407,957	76,445
Other general government	1,702,611	1,702,611	1,179,739	522,872
Total general government	\$ 8,629,372	\$ 8,629,372	\$ 7,631,508	\$ 997,864

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

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 4,772,748	\$ 4,772,748	\$ 4,342,447	\$ 430,301
Safe and sober grant	40,000	40,000	22,990	17,010
Snowmobile patrol	4,800	4,800	2,446	2,354
800 MHZ (ARMER) radio system	386,440	386,440	121,612	264,828
Dispatch center	1,383,300	1,383,300	1,198,449	184,851
Boat and water safety enforcement	44,400	44,400	37,831	6,569
Coroner	77,000	77,000	62,707	14,293
County jail	3,992,791	3,992,791	3,953,689	39,102
Community corrections	2,218,647	2,218,647	2,173,992	44,655
Civil defense	278,331	278,331	220,930	57,401
Rescue squad	73,900	73,900	58,466	15,434
911 emergency telephone	538,845	538,845	260,449	278,396
Correctional facility building	779,400	779,400	719,635	59,765
Shelter house	35,100	35,100	35,100	-
Total public safety	\$ 14,625,702	\$ 14,625,702	\$ 13,210,743	\$ 1,414,959
Health				
Public health service	\$ 2,503,809	\$ 2,503,809	\$ 2,275,744	\$ 228,065
Culture and recreation				
Celebrations	\$ 1,000	\$ 1,000	\$ 300	\$ 700
Humane Society of Kandiyohi County	36,000	36,000	36,000	-
Historical Society	56,200	56,200	56,200	-
County fair	18,000	18,000	18,000	-
County parks	305,700	305,700	293,695	12,005
Snowmobile trails	-	-	59,481	(59,481)
Total culture and recreation	\$ 416,900	\$ 416,900	\$ 463,676	\$ (46,776)
Conservation of natural resources				
County extension	\$ 185,900	\$ 185,900	\$ 170,087	\$ 15,813
County extension - reimbursement programs	4,000	4,000	816	3,184
Soil and Water Conservation District	131,000	131,000	131,000	-
Extension programs	10,844	10,844	2,903	7,941
County extension youth programs	2,000	2,000	215	1,785
Public drainage	105,200	105,200	94,369	10,831
Prairie Woods Environmental Learning Center	127,100	127,100	133,000	(5,900)
Shorelands management project	13,553	13,553	6,933	6,620

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
Conservation of natural resources (Continued)				
Septic loan program	-	-	283,426	(283,426)
Water planning	114,416	114,416	34,887	79,529
Feedlot program	101,746	101,746	62,366	39,380
Lakes	81,900	81,900	83,618	(1,718)
Total conservation of natural resources	\$ 877,659	\$ 877,659	\$ 1,003,620	\$ (125,961)
Economic development				
Tourism and economic development	\$ 13,000	\$ 13,000	\$ 1,852	\$ 11,148
Region 6E Community Action Agency	30,000	30,000	30,000	-
Total economic development	\$ 43,000	\$ 43,000	\$ 31,852	\$ 11,148
Debt service				
Principal	\$ -	\$ -	\$ 236,842	\$ (236,842)
Interest	-	-	41,338	(41,338)
Total debt service	\$ -	\$ -	\$ 278,180	\$ (278,180)
Total Expenditures	\$ 27,096,442	\$ 27,096,442	\$ 24,895,323	\$ 2,201,119
Excess of Revenues Over (Under) Expenditures	\$ (4,011,342)	\$ (4,011,342)	\$ 1,023,481	\$ 5,034,823
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 13,744	\$ 13,744
Transfers out	-	-	(83,003)	(83,003)
Loans issued	-	-	294,416	294,416
Proceeds from sale of capital assets	-	-	20,254	20,254
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 245,411	\$ 245,411
Net Change in Fund Balance	\$ (4,011,342)	\$ (4,011,342)	\$ 1,268,892	\$ 5,280,234
Fund Balance - January 1	12,719,764	12,719,764	12,719,764	-
Fund Balance - December 31	\$ 8,708,422	\$ 8,708,422	\$ 13,988,656	\$ 5,280,234

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,285,989	\$ 4,285,989	\$ 4,271,103	\$ (14,886)
Intergovernmental	6,088,000	6,088,000	7,147,472	1,059,472
Charges for services	400,000	400,000	663,587	263,587
Investment earnings	20,000	20,000	56,167	36,167
Miscellaneous	-	-	24,021	24,021
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 10,793,989	\$ 10,793,989	\$ 12,162,350	\$ 1,368,361
Expenditures				
Current				
Highways and streets				
Administration	\$ -	\$ -	\$ 803,638	\$ (803,638)
Road and bridge	3,609,458	3,609,458	2,657,205	952,253
Construction	6,703,000	6,703,000	6,136,613	566,387
Equipment maintenance shop	400,000	400,000	1,120,920	(720,920)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total highways and streets	\$ 10,712,458	\$ 10,712,458	\$ 10,718,376	\$ (5,918)
Intergovernmental				
Highways and streets	371,542	371,542	371,542	-
Debt service				
Principal	268,000	268,000	440,000	(172,000)
Interest	6,000	6,000	115,715	(109,715)
Administrative (fiscal) charges	-	-	2,875	(2,875)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 11,358,000	\$ 11,358,000	\$ 11,648,508	\$ (290,508)
Net Change in Fund Balance	\$ (564,011)	\$ (564,011)	\$ 513,842	\$ 1,077,853
Fund Balance - January 1	4,900,109	4,900,109	4,900,109	-
Increase (decrease) in inventories	-	-	41,751	41,751
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 4,336,098	\$ 4,336,098	\$ 5,455,702	\$ 1,119,604

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,870,842	\$ 5,870,842	\$ 5,837,439	\$ (33,403)
Intergovernmental	7,941,448	7,941,448	8,320,043	378,595
Charges for services	685,400	685,400	718,859	33,459
Gifts and contributions	-	-	785	785
Miscellaneous	134,300	134,300	207,091	72,791
Total Revenues	\$ 14,631,990	\$ 14,631,990	\$ 15,084,217	\$ 452,227
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,870,900	\$ 3,870,900	\$ 4,241,420	\$ (370,520)
Social services	10,049,200	10,049,200	10,653,996	(604,796)
Total Expenditures	\$ 13,920,100	\$ 13,920,100	\$ 14,895,416	\$ (975,316)
Net Change in Fund Balance	\$ 711,890	\$ 711,890	\$ 188,801	\$ (523,089)
Fund Balance - January 1	4,521,045	4,521,045	4,521,045	-
Fund Balance - December 31	\$ 5,232,935	\$ 5,232,935	\$ 4,709,846	\$ (523,089)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
SANITARY LANDFILL/RECYCLING CENTER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ -	\$ -	\$ 1,080	\$ 1,080
Intergovernmental	104,000	104,000	122,761	18,761
Charges for services	2,891,500	2,891,500	3,550,048	658,548
Investment earnings	17,000	17,000	663,993	646,993
Miscellaneous	520,000	520,000	620,408	100,408
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 3,532,500	\$ 3,532,500	\$ 4,958,290	\$ 1,425,790
Expenditures				
Current				
Sanitation				
Solid waste	3,076,400	3,076,400	2,484,893	591,507
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Excess of Revenues Over (Under)				
Expenditures	\$ 456,100	\$ 456,100	\$ 2,473,397	\$ 2,017,297
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other Financing Sources (Uses)				
Transfers in	\$ 196,000	\$ 196,000	\$ 67,633	\$ (128,367)
Transfers out	(196,000)	(196,000)	(1,000,000)	(804,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (932,367)	\$ (932,367)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance	\$ 456,100	\$ 456,100	\$ 1,541,030	\$ 1,084,930
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - January 1	10,450,447	10,450,447	10,450,447	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 10,906,547	\$ 10,906,547	\$ 11,991,477	\$ 1,084,930
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-5

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 363,371	\$ 363,371	\$ 370,732	\$ 7,361
Intergovernmental	25,629	25,629	32,528	6,899
Investment earnings	-	-	127,001	127,001
Miscellaneous	-	-	250,485	250,485
Total Revenues	\$ 389,000	\$ 389,000	\$ 780,746	\$ 391,746
Expenditures				
Current				
General government	\$ 270,000	\$ 270,000	\$ 502,813	\$ (232,813)
Public safety	10,000	10,000	-	10,000
Culture and recreation	90,000	90,000	49,879	40,121
Conservation of natural resources	28,000	28,000	27,654	346
Total Expenditures	\$ 398,000	\$ 398,000	\$ 580,346	\$ (182,346)
Excess of Revenues Over (Under) Expenditures	\$ (9,000)	\$ (9,000)	\$ 200,400	\$ 209,400
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 56,601	\$ 56,601
Transfers out	-	-	(54,975)	(54,975)
Proceeds from sale of capital assets	-	-	898	898
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 2,524	\$ 2,524
Net Change in Fund Balance	\$ (9,000)	\$ (9,000)	\$ 202,924	\$ 211,924
Fund Balance - January 1	5,571,769	5,571,769	5,571,769	-
Fund Balance - December 31	\$ 5,562,769	\$ 5,562,769	\$ 5,774,693	\$ 211,924

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2014**

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, 2010	\$ -	\$ 1,753,622	\$ 1,753,622	0.00%	\$ 20,734,186	8.46%
January 1, 2012	-	1,651,891	1,651,891	0.00%	19,168,849	8.62%
January 1, 2014	-	1,583,576	1,583,576	0.00%	20,520,151	7.72%

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 County Commissioners did not revise the budgetary appropriations at the fund, function, or department level during the fiscal 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, 2014:

	Expenditures	Final Budget	Excess
Special Revenue Funds			
Road and Bridge	\$ 11,648,508	\$ 11,358,000	\$ 290,508
Human Services	14,895,416	13,920,100	975,316
County Building	580,346	398,000	182,346

3. Other Postemployment Benefits Funding Status

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. Three actuarial valuations are now available, which provides sufficient trend analysis to meet the three valuation funding status requirement.

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

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SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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 charges for services.

Green Lake Sewer Fund - to account for funds used by the Green Lake sewer system. Financing is provided by 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 fines and forfeits.

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, 2014**

	<u>Capital Equipment</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>	<u>Green Lake Sewer</u>
<u>Assets</u>				
Cash and investments	\$ 3,649,772	\$ 215,339	\$ 256,993	\$ 1,657,146
Taxes receivable				
Delinquent	10,644	-	-	-
Special assessments receivable				
Delinquent	-	6,000	-	-
Noncurrent	-	403,513	-	-
Accounts receivable	-	480	311,208	207,916
Accrued interest receivable	355	-	563	-
Due from other funds	-	16,734	-	-
Due from other governments	-	89,676	-	87,811
Total Assets	\$ 3,660,771	\$ 731,742	\$ 568,764	\$ 1,952,873
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ 95,076	\$ 93	\$ 46,436
Salaries payable	-	-	216	27,974
Due to other funds	-	-	702	3,755
Due to other governments	-	-	17	5,779
Advance from other funds	-	-	-	-
Total Liabilities	\$ -	\$ 95,076	\$ 1,028	\$ 83,944
Deferred Inflows of Resources				
Unavailable revenue	\$ 7,970	\$ 515,158	\$ 308,553	\$ 189,245

EXHIBIT B-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>
\$ 238,000	\$ 33,375	\$ 662,293	\$ 13,269	\$ 1,808	\$ 6,727,995
5,862	-	11,809	-	-	28,315
-	-	-	-	-	6,000
-	-	-	-	-	403,513
-	-	482	-	-	520,086
-	-	-	-	-	918
-	-	15,233	-	-	31,967
-	1,636	27	-	-	179,150
\$ 243,862	\$ 35,011	\$ 689,844	\$ 13,269	\$ 1,808	\$ 7,897,944
\$ 1,117	\$ -	\$ 20,434	\$ -	\$ 19,096	\$ 182,252
3,127	-	20,110	-	9,600	61,027
1,000	-	313	-	125,097	130,867
9,307	980	25,112	13,269	601	55,065
-	-	-	-	126,891	126,891
\$ 14,551	\$ 980	\$ 65,969	\$ 13,269	\$ 281,285	\$ 556,102
\$ 4,546	\$ -	\$ 8,243	\$ -	\$ -	\$ 1,033,715

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2014**

	<u>Capital Equipment</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>	<u>Green Lake Sewer</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)				
Fund Balances				
Restricted for				
Ditch maintenance and repairs	\$ -	\$ 423,299	\$ -	\$ -
Committed to				
Purchases of capital equipment	3,652,801	-	-	-
Eagle Lake Sewer	-	-	259,183	-
Green Lake Sewer	-	-	-	1,679,684
Library operations and building maintenance	-	-	-	-
DARE program	-	-	-	-
Health and Human Services building operations and maintenance	-	-	-	-
Unassigned	-	(301,791)	-	-
Total Fund Balances	<u>\$ 3,652,801</u>	<u>\$ 121,508</u>	<u>\$ 259,183</u>	<u>\$ 1,679,684</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,660,771</u>	<u>\$ 731,742</u>	<u>\$ 568,764</u>	<u>\$ 1,952,873</u>

EXHIBIT B-1
(Continued)

<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 423,299
-	-	-	-	-	3,652,801
-	-	-	-	-	259,183
-	-	-	-	-	1,679,684
224,765	-	-	-	-	224,765
-	34,031	-	-	-	34,031
-	-	615,632	-	-	615,632
-	-	-	-	(279,477)	(581,268)
<u>\$ 224,765</u>	<u>\$ 34,031</u>	<u>\$ 615,632</u>	<u>\$ -</u>	<u>\$ (279,477)</u>	<u>\$ 6,308,127</u>
<u>\$ 243,862</u>	<u>\$ 35,011</u>	<u>\$ 689,844</u>	<u>\$ 13,269</u>	<u>\$ 1,808</u>	<u>\$ 7,897,944</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, 2014**

	<u>Capital Equipment</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>	<u>Green Lake Sewer</u>
Revenues				
Taxes	\$ 659,759	\$ -	\$ -	\$ -
Special assessments	-	717,993	-	-
Intergovernmental	46,848	-	-	-
Charges for services	-	-	289,476	989,607
Fines and forfeits	-	-	-	-
Investment earnings	245,805	2,258	-	-
Miscellaneous	-	-	-	290,146
Total Revenues	\$ 952,412	\$ 720,251	\$ 289,476	\$ 1,279,753
Expenditures				
Current				
General government	\$ 11,622	\$ -	\$ -	\$ -
Public safety	163,366	-	-	-
Highways and streets	378,270	-	-	-
Sanitation	35,086	-	289,943	1,106,624
Culture and recreation	-	-	-	-
Conservation of natural resources	-	434,760	-	-
Intergovernmental				
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	\$ 588,344	\$ 434,760	\$ 289,943	\$ 1,106,624
Excess of Revenues Over (Under) Expenditures	\$ 364,068	\$ 285,491	\$ (467)	\$ 173,129
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ 22,905
Transfers out	-	-	-	(10,203)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ 12,702
Net Change in Fund Balance	\$ 364,068	\$ 285,491	\$ (467)	\$ 185,831
Fund Balance - January 1	3,288,733	(163,983)	259,650	1,493,853
Fund Balance - December 31	\$ 3,652,801	\$ 121,508	\$ 259,183	\$ 1,679,684

EXHIBIT B-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>
\$ 389,365	\$ -	\$ 783,424	\$ -	\$ -	\$ 1,832,548
-	-	-	-	-	717,993
119,469	-	55,597	-	-	221,914
-	-	-	-	-	1,279,083
-	17,141	-	-	-	17,141
-	-	-	-	-	248,063
36,126	-	506,814	55,464	865,090	1,753,640
\$ 544,960	\$ 17,141	\$ 1,345,835	\$ 55,464	\$ 865,090	\$ 6,070,382
\$ -	\$ -	\$ 609,785	\$ 55,464	\$ 351,308	\$ 1,028,179
-	10,158	-	-	-	173,524
-	-	-	-	-	378,270
-	-	-	-	-	1,431,653
185,191	-	-	-	-	185,191
-	-	-	-	-	434,760
352,700	-	-	-	-	352,700
-	-	-	-	376,300	376,300
-	-	-	-	97,966	97,966
\$ 537,891	\$ 10,158	\$ 609,785	\$ 55,464	\$ 825,574	\$ 4,458,543
\$ 7,069	\$ 6,983	\$ 736,050	\$ -	\$ 39,516	\$ 1,611,839
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,905
-	-	(640,529)	-	-	(650,732)
\$ -	\$ -	\$ (640,529)	\$ -	\$ -	\$ (627,827)
\$ 7,069	\$ 6,983	\$ 95,521	\$ -	\$ 39,516	\$ 984,012
217,696	27,048	520,111	-	(318,993)	5,324,115
\$ 224,765	\$ 34,031	\$ 615,632	\$ -	\$ (279,477)	\$ 6,308,127

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 663,532	\$ 663,532	\$ 659,759	\$ (3,773)
Intergovernmental	45,668	45,668	46,848	1,180
Investment earnings	-	-	245,805	245,805
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 709,200	\$ 709,200	\$ 952,412	\$ 243,212
Expenditures				
Current				
General government	\$ -	\$ -	\$ 11,622	\$ (11,622)
Public safety	-	-	163,366	(163,366)
Highways and streets	-	-	378,270	(378,270)
Sanitation	-	-	35,086	(35,086)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ -	\$ -	\$ 588,344	\$ (588,344)
Net Change in Fund Balance	\$ 709,200	\$ 709,200	\$ 364,068	\$ (345,132)
Fund Balance - January 1	3,288,733	3,288,733	3,288,733	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 3,997,933	\$ 3,997,933	\$ 3,652,801	\$ (345,132)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
GREEN LAKE SEWER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 937,000	\$ 937,000	\$ 989,607	\$ 52,607
Miscellaneous	258,500	258,500	290,146	31,646
Total Revenues	\$ 1,195,500	\$ 1,195,500	\$ 1,279,753	\$ 84,253
Expenditures				
Current				
Sanitation	1,115,200	1,115,200	1,106,624	8,576
Excess of Revenues Over (Under) Expenditures	\$ 80,300	\$ 80,300	\$ 173,129	\$ 92,829
Other Financing Sources (Uses)				
Transfers in	\$ 48,967	\$ 48,967	\$ 22,905	\$ (26,062)
Transfers out	-	-	(10,203)	(10,203)
Total Other Financing Sources (Uses)	\$ 48,967	\$ 48,967	\$ 12,702	\$ (36,265)
Net Change in Fund Balance	\$ 129,267	\$ 129,267	\$ 185,831	\$ 56,564
Fund Balance - January 1	1,493,853	1,493,853	1,493,853	-
Fund Balance - December 31	\$ 1,623,120	\$ 1,623,120	\$ 1,679,684	\$ 56,564

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
COUNTY LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 392,206	\$ 392,206	\$ 389,365	\$ (2,841)
Intergovernmental	123,994	123,994	119,469	(4,525)
Miscellaneous	36,100	36,100	36,126	26
Total Revenues	\$ 552,300	\$ 552,300	\$ 544,960	\$ (7,340)
Expenditures				
Current				
Culture and recreation	\$ 197,600	\$ 197,600	\$ 185,191	\$ 12,409
Intergovernmental				
Culture and recreation	352,700	352,700	352,700	-
Total Expenditures	\$ 550,300	\$ 550,300	\$ 537,891	\$ 12,409
Net Change in Fund Balance	\$ 2,000	\$ 2,000	\$ 7,069	\$ 5,069
Fund Balance - January 1	217,696	217,696	217,696	-
Fund Balance - December 31	\$ 219,696	\$ 219,696	\$ 224,765	\$ 5,069

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT B-6

**BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 787,689	\$ 787,689	\$ 783,424	\$ (4,265)
Intergovernmental	54,211	54,211	55,597	1,386
Miscellaneous	501,600	501,600	506,814	5,214
Total Revenues	\$ 1,343,500	\$ 1,343,500	\$ 1,345,835	\$ 2,335
Expenditures				
Current				
General government	702,971	702,971	609,785	93,186
Excess of Revenues Over (Under) Expenditures	\$ 640,529	\$ 640,529	\$ 736,050	\$ 95,521
Other Financing Sources (Uses)				
Transfers out	(640,529)	(640,529)	(640,529)	-
Net Change in Fund Balance	\$ -	\$ -	\$ 95,521	\$ 95,521
Fund Balance - January 1	520,111	520,111	520,111	-
Fund Balance - December 31	\$ 520,111	\$ 520,111	\$ 615,632	\$ 95,521

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

FIDUCIARY FUND

Agency Fund - to account for assets held by the County as an agent for other governmental units, individuals, private organizations, or other funds.

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT C-1

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>Assets</u>				
Cash and investments	\$ 1,293,548	\$ 52,452,741	\$ 52,388,940	\$ 1,357,349
Due from other governments	346	-	346	-
	\$ 1,293,894	\$ 52,452,741	\$ 52,389,286	\$ 1,357,349
Total Assets	\$ 1,293,894	\$ 52,452,741	\$ 52,389,286	\$ 1,357,349
<u>Liabilities</u>				
Due to other governments	\$ 1,293,894	\$ 52,452,741	\$ 52,389,286	\$ 1,357,349

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OTHER SCHEDULES

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2014**

	Assets					
	Treasurer's	Special Assessments		Accounts	Due from	Due from
	Cash	Receivable		Receivable	Other	Other
Balance	Delinquent	Noncurrent	Receivable	Funds	Governments	Governments
County Ditches						
#1	\$ -	\$ 45	\$ -	\$ -	\$ -	\$ -
#2	-	-	-	17	-	-
#4 M & K	(1,678)	-	2,456	-	128	90
#7	(346)	-	-	-	-	-
#7 Rep D	7,509	-	-	-	-	-
#8	4,959	328	20,812	-	122	629
#8A	1,991	-	-	-	-	-
#8 Lat A	57	-	-	-	-	-
#8 Lat B	34	-	-	-	-	-
#9	16,796	-	-	-	-	-
#9 Lat 1 Br A	22,576	-	-	-	-	-
#10 Impr C	12,797	47	-	-	-	-
#12	(5,636)	39	6,736	56	327	1,199
#15	3	-	454	-	-	-
#16A	15,450	-	-	-	-	-
#18A	(7,990)	110	8,170	-	638	2,475
#19	13,705	17	-	-	-	-
#20	550	-	492	-	18	-
#23A	15,892	3,160	3,452	10	86	4,702
#24A	18,215	-	-	18	-	-
#24A Lat G	1,046	-	1,799	-	105	113
#24A Lat H	1,396	-	1,754	2	177	4
#24A Lat H-1	797	-	1,407	-	164	114
#24A Lat J	86	-	1,626	-	-	288
#26	(36,523)	234	16,824	-	842	-
#27	2,660	401	-	-	-	-
#28	2,779	-	2,605	-	252	50
#28 Impr Br 7	705	-	-	-	-	-
#28 Lat A Br 4	7,283	-	-	-	-	-
#28 Impr Br 5	119	-	-	-	-	-
#29	2,224	-	4,319	-	66	103
#31 Impr	15,960	-	-	-	-	-
#31 Lat A of Br 10 of Lat 10	(300)	-	40	-	4	-
#31 Lat A of Br 2 of Lat 10	11,304	-	-	-	-	-
#34	525	-	1,183	-	20	62
#37	4,473	574	-	-	-	-
#38	1,402	9	2,117	-	18	43
#40	(6,135)	-	9,370	-	109	327
#42	253	-	-	-	-	-
#45	(302)	-	556	-	-	-
#46	37,883	10	-	-	-	-
#47	(17,899)	86	31,656	150	523	873
#48	1,474	-	-	-	138	289

EXHIBIT D-1

Total Assets	Liabilities	Deferred Inflows of Resources Unavailable Revenue	Fund Balance			Total Liabilities, Deferred Inflows of Resources, and Fund Balances
	Accounts Payables		Restricted for Ditch Maintenance and Repairs	Unassigned	Total Fund Balances	
\$ 45	\$ -	\$ 45	\$ -	\$ -	\$ -	\$ 45
17	-	17	-	-	-	17
996	-	2,674	-	(1,678)	(1,678)	996
(346)	-	-	-	(346)	(346)	(346)
7,509	-	-	7,509	-	7,509	7,509
26,850	-	21,564	5,286	-	5,286	26,850
1,991	-	-	1,991	-	1,991	1,991
57	-	-	57	-	57	57
34	-	-	34	-	34	34
16,796	11,704	-	5,092	-	5,092	16,796
22,576	-	-	22,576	-	22,576	22,576
12,844	-	47	12,797	-	12,797	12,844
2,721	-	8,318	-	(5,597)	(5,597)	2,721
457	-	454	3	-	3	457
15,450	-	-	15,450	-	15,450	15,450
3,403	-	11,393	-	(7,990)	(7,990)	3,403
13,722	-	17	13,705	-	13,705	13,722
1,060	-	510	550	-	550	1,060
27,302	460	11,174	15,668	-	15,668	27,302
18,233	24,094	18	-	(5,879)	(5,879)	18,233
3,063	-	2,017	1,046	-	1,046	3,063
3,333	-	1,937	1,396	-	1,396	3,333
2,482	-	1,685	797	-	797	2,482
2,000	390	1,914	-	(304)	(304)	2,000
(18,623)	5,698	17,666	-	(41,987)	(41,987)	(18,623)
3,061	-	(1)	3,062	-	3,062	3,061
5,686	-	2,907	2,779	-	2,779	5,686
705	-	-	705	-	705	705
7,283	-	-	7,283	-	7,283	7,283
119	-	-	119	-	119	119
6,712	-	4,488	2,224	-	2,224	6,712
15,960	-	-	15,960	-	15,960	15,960
(256)	-	44	-	(300)	(300)	(256)
11,304	-	-	11,304	-	11,304	11,304
1,790	-	1,265	525	-	525	1,790
5,047	-	574	4,473	-	4,473	5,047
3,589	1,595	2,187	-	(193)	(193)	3,589
3,671	-	9,806	-	(6,135)	(6,135)	3,671
253	-	-	253	-	253	253
254	-	556	-	(302)	(302)	254
37,893	2,464	10	35,419	-	35,419	37,893
15,389	974	33,288	-	(18,873)	(18,873)	15,389
1,901	-	427	1,474	-	1,474	1,901

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2014**

	Assets					
	Treasurer's Cash	Special Assessments Receivable		Accounts Receivable	Due from Other Funds	Due from Other Governments
	Balance	Delinquent	Noncurrent			
County Ditches (Continued)						
#50	858	-	-	-	-	-
#51	(1,440)	149	6,681	-	74	120
#51 Lat A-1	(542)	-	2,063	-	195	111
#52	4,269	562	-	-	-	-
#52 Lat A	(37,040)	-	-	-	-	-
#54	487	-	-	-	-	-
#54 Impr	24,945	-	-	-	-	-
#55	(443)	68	619	18	18	924
#56	3,453	-	-	-	-	-
#58	1,957	-	4,645	12	148	376
#60	2,501	-	3,382	-	60	254
#61	1,323	-	-	-	-	-
#62	262	-	231	-	12	5
#63	1,238	-	15,741	-	551	582
#64	(2,670)	-	7,477	-	253	108
#65	(1,099)	-	3,731	-	-	33
State Ditch						
#1 Impr Div 2	17	-	1,641	-	95	17
Judicial Ditches						
#1 M & K (Rep F)	(50,020)	128	78,769	-	1,386	14,324
#1 Lat A, M & K	642	2	2,281	-	4	244
#1 Lat, M & K	36,864	-	9,088	-	-	-
#1 Lat B, M & K	1,715	-	4,154	-	5	493
#1 Lat A of Lat B, M & K	1,441	-	496	-	13	14
#1 Br 4 of Lat B, M & K	1,516	-	-	-	-	-
#1 Lat C, M & K	1,171	-	307	-	16	44
#1 Lat D, M & K	383	-	-	-	-	-
#1 Lat E, M & K	1,637	-	2,007	-	30	356
#1 Br 2 of Lat F, M & K	986	-	14,086	-	1,237	955
#1 Lat G, M & K	1,319	-	269	-	-	-
#2 R & K	3,783	-	1,802	-	46	78
#2 Lat 3, R & K	1,025	-	412	-	8	36
#2 Lat 4, R & K	915	-	350	-	47	16
#2 Lat A of Lat 4, R & K	646	-	295	-	16	5
#2 Lat 5, R & K	1,588	-	558	-	110	3
#2 Lat 7, R & K	22	-	-	-	-	-
#2 Lat 8, R & K	717	-	489	-	11	9
#2 C & K	6,724	-	2,613	-	48	1,725
#2 St & K	211	-	375	-	69	155

EXHIBIT D-1
(Continued)

<u>Total Assets</u>	<u>Liabilities</u>	<u>Deferred Inflows of Resources Unavailable Revenue</u>	<u>Restricted for Ditch Maintenance and Repairs</u>	<u>Fund Balance</u>		<u>Total Fund Balances</u>	<u>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</u>
	<u>Accounts Payables</u>			<u>Unassigned</u>			
858	-	-	858	-	858	858	
5,584	3,450	7,024	-	(4,890)	(4,890)	5,584	
1,827	-	2,369	-	(542)	(542)	1,827	
4,831	-	562	4,269	-	4,269	4,831	
(37,040)	-	-	-	(37,040)	(37,040)	(37,040)	
487	-	-	487	-	487	487	
24,945	-	-	24,945	-	24,945	24,945	
1,204	-	1,647	-	(443)	(443)	1,204	
3,453	-	-	3,453	-	3,453	3,453	
7,138	-	5,181	1,957	-	1,957	7,138	
6,197	-	3,696	2,501	-	2,501	6,197	
1,323	-	-	1,323	-	1,323	1,323	
510	-	248	262	-	262	510	
18,112	16,434	16,874	-	(15,196)	(15,196)	18,112	
5,168	2,293	7,838	-	(4,963)	(4,963)	5,168	
2,665	1,066	3,764	-	(2,165)	(2,165)	2,665	
1,770	-	1,753	17	-	17	1,770	
44,587	2,411	94,602	-	(52,426)	(52,426)	44,587	
3,173	1,645	2,531	-	(1,003)	(1,003)	3,173	
45,952	11,646	9,088	25,218	-	25,218	45,952	
6,367	-	4,652	1,715	-	1,715	6,367	
1,964	-	523	1,441	-	1,441	1,964	
1,516	-	-	1,516	-	1,516	1,516	
1,538	-	367	1,171	-	1,171	1,538	
383	-	-	383	-	383	383	
4,030	-	2,393	1,637	-	1,637	4,030	
17,264	805	16,278	181	-	181	17,264	
1,588	-	269	1,319	-	1,319	1,588	
5,709	-	1,926	3,783	-	3,783	5,709	
1,481	-	456	1,025	-	1,025	1,481	
1,328	-	413	915	-	915	1,328	
962	-	316	646	-	646	962	
2,259	-	671	1,588	-	1,588	2,259	
22	-	-	22	-	22	22	
1,226	-	509	717	-	717	1,226	
11,110	153	4,386	6,571	-	6,571	11,110	
810	-	599	211	-	211	810	

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2014**

	Assets					
	Treasurer's	Special Assessments		Accounts	Due from	Due from
	Cash	Receivable		Receivable	Other	Other
Balance	Delinquent	Noncurrent		Funds	Governments	
Judicial Ditches (Continued)						
#3 Lat B, K & C	841	-	812	-	34	67
#3 Lat A of Lat B, K & C	6,697	-	-	-	-	-
#3 Lat C, C & K	7,016	-	-	-	-	8
#3 Lat D, C & K	75,885	-	-	-	-	202
#3 Impr Br 5 & 6, C & K	(468)	-	1,476	-	54	12
#3 Impr Br 7 & 8, C & K	1,424	-	-	-	-	6
#3 Impr Br 9, C & K	1,680	-	-	-	-	-
#3 Impr Br 10, C & K	93	-	-	-	-	-
#3 Br 10 of Lat A, C & K	421	-	-	-	-	-
#3 St & K	(1,020)	-	1,206	-	-	1,122
#3 Rep A, St & K	2,047	-	-	-	-	-
#7 C, K & R & Rep F	4,458	31	11,091	79	1,327	17,394
#7 Lat A, C, K & R	(11,760)	-	13,588	-	1,372	9,324
#7 Lat B, C, K & R	674	-	326	-	58	-
#7 Lat E, C, K & R	2,660	-	-	-	-	-
#10 R & K	(17)	-	-	-	-	-
#11 K & M R/B	(19,350)	-	19,389	-	2,276	3,152
#16 R & K	(49,321)	-	43,469	-	2,574	21,486
#17 M & K	11,969	-	-	-	-	-
#17 Rep A, M & K	4,174	-	-	-	-	-
#17 Br 4 of Lat A, M & K	461	-	-	-	-	-
#17 Br 4 of Lat B, M & K	6,600	-	-	-	-	-
#18 Sw, K & C	(8,370)	-	6,980	118	721	3,911
#18 M & K	1,867	-	276	-	-	493
#18 Lat A, M & K	910	-	4,371	-	87	151
#18 Lat C, M & K	14,434	-	17,545	-	-	-
#19 Sw & K	140	-	217	-	-	-
#21 R, C & K	249	-	-	-	-	-
#21 Sw, K & C	1,807	-	376	-	42	-
#29 Rep B, R, M & K	(81)	-	1	-	-	-
#52 691/695	-	-	-	-	-	-
Rinke Noonan Attorney	1,764	-	-	-	-	-
Total	\$ 215,339	\$ 6,000	\$ 403,513	\$ 480	\$ 16,734	\$ 89,676

EXHIBIT D-1
(Continued)

Total Assets	Liabilities	Deferred Inflows of Resources Unavailable Revenue	Restricted for Ditch Maintenance and Repairs	Fund Balance		Total Fund Balances	Total Liabilities, Deferred Inflows of Resources, and Fund Balances
	Accounts Payables			Unassigned	Total		
1,754	-	913	841	-	841	1,754	
6,697	-	-	6,697	-	6,697	6,697	
7,024	-	8	7,016	-	7,016	7,024	
76,087	2,060	202	73,825	-	73,825	76,087	
1,074	-	1,542	-	(468)	(468)	1,074	
1,430	-	6	1,424	-	1,424	1,430	
1,680	-	-	1,680	-	1,680	1,680	
93	-	-	93	-	93	93	
421	-	-	421	-	421	421	
1,308	-	2,328	-	(1,020)	(1,020)	1,308	
2,047	-	-	2,047	-	2,047	2,047	
34,380	-	29,920	4,460	-	4,460	34,380	
12,524	-	24,284	-	(11,760)	(11,760)	12,524	
1,058	-	384	674	-	674	1,058	
2,660	-	-	2,660	-	2,660	2,660	
(17)	-	-	-	(17)	(17)	(17)	
5,467	1,725	24,817	-	(21,075)	(21,075)	5,467	
18,208	-	67,529	-	(49,321)	(49,321)	18,208	
11,969	-	-	11,969	-	11,969	11,969	
4,174	-	-	4,174	-	4,174	4,174	
461	-	-	461	-	461	461	
6,600	-	-	6,600	-	6,600	6,600	
3,360	-	11,730	-	(8,370)	(8,370)	3,360	
2,636	-	769	1,867	-	1,867	2,636	
5,519	856	4,609	54	-	54	5,519	
31,979	1,726	17,545	12,708	-	12,708	31,979	
357	-	217	140	-	140	357	
249	-	-	249	-	249	249	
2,225	-	418	1,807	-	1,807	2,225	
(80)	5	1	-	(86)	(86)	(80)	
-	1,422	-	-	(1,422)	(1,422)	-	
1,764	-	-	1,764	-	1,764	1,764	
\$ 731,742	\$ 95,076	\$ 515,158	\$ 423,299	\$ (301,791)	\$ 121,508	\$ 731,742	

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Total Primary Government	Housing and Redevelopment Authority Component Unit
	<u> </u>	<u> </u>
Shared Revenue		
State		
Highway users tax	\$ 6,402,223	\$ -
County program aid	1,845,089	-
PERA rate reimbursement	73,608	-
Disparity reduction aid	20,375	-
Police aid	239,904	-
Enhanced 911	126,510	-
Local performance aid	5,929	-
SCORE	116,655	-
Aquatic invasive species aid	115,621	-
Market value credit	227,409	-
	<u> </u>	<u> </u>
Total shared revenue	\$ 9,173,323	\$ -
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 1,419,105	\$ -
Minnesota Department of Transportation	28,576	-
	<u> </u>	<u> </u>
Total payments	\$ 1,447,681	\$ -
Payments		
Local		
Payments in lieu of taxes	\$ 252,148	\$ -
Local	92,935	-
	<u> </u>	<u> </u>
Total payments	\$ 345,083	\$ -
Grants		
State		
Minnesota Department/Board of		
Health	\$ 270,307	\$ -
Natural Resources	170,542	-
Human Services	2,890,802	-
Revenue	3,529	-
Veterans Affairs	10,000	-
Corrections	726,629	-
Water and Soil Resources	295,261	-
Transportation	225,364	-
Peace Officer Standards and Training Board	10,620	-
	<u> </u>	<u> </u>
Total state	\$ 4,603,054	\$ -

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

***EXHIBIT D-2
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Total Primary Government	Housing and Redevelopment Authority Component Unit
	<u> </u>	<u> </u>
Grants (Continued)		
Federal		
Department of		
Agriculture	\$ 739,173	\$ -
Housing and Urban Development	-	1,191,552
Justice	12,316	-
Transportation	181,254	-
Education	1,526	-
Health and Human Services	3,806,428	-
Homeland Security	80,538	-
	<u> </u>	<u> </u>
Total federal	\$ 4,821,235	\$ 1,191,552
	<u> </u>	<u> </u>
Total state and federal grants	\$ 9,424,289	\$ 1,191,552
	<u> </u>	<u> </u>
Total Intergovernmental Revenue	\$ 20,390,376	\$ 1,191,552
	<u> </u>	<u> </u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Direct		
Conservation Reserve Program	10.069	\$ 12,342
Passed Through Kandiyohi-Renville Community Health Board		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	319,846
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>411,074</u>
Total U.S. Department of Agriculture		<u>\$ 743,262</u>
U.S. Department of Justice		
Direct		
State Criminal Alien Assistance Program	16.606	<u>\$ 12,316</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	\$ 115,474
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	<u>65,780</u>
Total U.S. Department of Transportation		<u>\$ 181,254</u>
U.S. Department of Education		
Passed Through Kandiyohi-Renville Community Health Board		
Special Education - Grants for Infants and Families	84.181	<u>\$ 1,526</u>
U.S. Department of Health and Human Services		
Direct		
Drug-Free Communities Support Program Grants	93.276	\$ 100,929
Passed Through Kandiyohi-Renville Community Health Board		
Public Health Emergency Preparedness	93.069	21,488
Universal Newborn Hearing Screening	93.251	1,900
Early Hearing Detection and Intervention Information System (EHDI-IS)		
Surveillance Program	93.314	150
Temporary Assistance for Needy Families	93.558	61,320
(Total Temporary Assistance for Needy Families 93.558 \$684,646)		
Maternal and Child Health Services Block Grant to the States	93.994	45,253
Passed Through Minnesota Department of Health		
Immunization Cooperative Agreements	93.268	3,500

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	9,756
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$684,646)	93.558	623,326
Child Support Enforcement	93.563	708,678
Refugee and Entrant Assistance - State-Administered Programs	93.566	1,897
Child Care and Development Block Grant	93.575	19,001
Stephanie Tubbs Jones Child Welfare Services Program	93.645	6,429
Foster Care - Title IV-E	93.658	385,557
Social Services Block Grant	93.667	302,999
Chafee Foster Care Independence Program	93.674	9,225
Children's Health Insurance Program	93.767	187
Medical Assistance Program	93.778	1,107,599
Block Grants for Community Mental Health Services	93.958	5,573
Total U.S. Department of Health and Human Services		\$ 3,414,767
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 21,369
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grants	97.039	16,391
Emergency Management Performance Grants	97.042	59,022
Total U.S. Department of Homeland Security		\$ 96,782
Total Federal Awards		\$ 4,449,907

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 \$1,182,344 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, 2014. 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 or changes in net position 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. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 4,821,235
Grants received more than 60 days after year-end, unavailable in 2014	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	5,339
Temporary Assistance for Needy Families	4,297
Child Care and Development Block Grant	1,383
Boating Safety Financial Assistance	16,244

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue (Continued)

Unavailable in 2013, recognized as revenue in 2014	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	(1,250)
Temporary Assistance for Needy Families	(122,485)
Child Care and Development Block Grant	(1,512)
Foster Care - Title IV-E	(23,600)
Medical Assistance Program	(186,421)
Block Grants for Community Mental Health Services	(63,323)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 4,449,907</u>

5. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2014.

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

Special Supplemental Nutrition Program for Women, Infants, and Children	CFDA #10.557
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CFDA #10.561
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778

The threshold for distinguishing between Types A and B programs was \$300,000.

Kandiyohi Country qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1996-008

Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: Due to the limited number of office personnel within the County, segregation of the 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 point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us that it does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

Recommendation: We recommend the County's elected officials and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

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.

ITEMS ARISING THIS YEAR

Finding 2014-001

Audit Adjustment

Criteria: 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. Auditing standards define a material weakness as 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.

Condition: During our audit, we identified a material adjustment that was proposed and recorded. This audit adjustment resulted in significant changes to the County's financial statements. The County provides cash basis financial information and prepared some of the modified accrual information necessary to adjust the cash basis financial statements to the modified accrual basis, and some of the additional information necessary for preparing the government-wide financial statements.

Context: The inability to make accrual adjustments or to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: An audit adjustment was necessary in the Capital Projects Fund to record additional contracts payable in the amount of \$134,558 to properly account for capital outlay sanitation expenditures.

Cause: County staff did not have the time to prepare all of the information necessary to provide accurate financial statements.

Recommendation: We recommend County staff review the trial balances and journal entries in detail to ensure they have an understanding of all audit adjustments made so that, in the future, this information can be prepared by the County.

Client's Response:

The County Auditor/Treasurer staff will review trial balances and journal entries in more detail to ensure all audit adjustments are correct.

Finding 2014-002

Itemized Receipts for Credit Card Purchases

Criteria: Sound internal controls should provide a system to ensure that all credit card purchases are supported by itemized receipts. Additionally, Kandiyohi County's credit card policy requires such documentation, and Minn. Stat. § 471.38, subd. 1, requires claims presented for payment must be in writing and itemized.

Condition: While testing credit card claims, we noted that two of the three credit card claims tested did not include all supporting documentation. The two claims did not have an invoice for four hotel room stays made by County Commissioners.

Context: Documentation of claims paid is a fundamental requirement of a sound accounting system; it is the primary evidence used to support and explain the nature of the County's cash outlays and expenditures recorded in the general ledger. Billings received from a credit card company lack sufficient detail to permit the County Board to review and approve expenditures incurred by using credit cards. In order to pay these bills, the County must have itemized invoices or receipts to support items charged.

Effect: Noncompliance with County credit card policy and Minn. Stat. § 471.38, subd. 1

Cause: Departmental personnel reviewing and authorizing payment of the credit card claims either did not request from staff the supporting documentation that was missing or did not follow up to ensure the necessary documentation was received and was valid before payment of the credit card billing.

Recommendation: We recommend Kandiyohi County adhere to Minn. Stat. § 471.38, subd. 1, and to the County's credit card policy. Departmental personnel reviewing the claim should ensure that credit card claims are accompanied with itemized vendor invoices or receipts that support all charges.

Client's Response:

The County will meet with those employees responsible for paying credit card claims and go over the County credit card policy and remind them of Minn. Stat. § 471.38, subd. 1. They will be reminded that all statements must have invoices or receipts attached.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1996-003

Individual Ditch System Cash Deficits

Criteria: As stated in Minn. Stat. § 385.04, in part, “. . . every warrant shall be paid only from the cash on hand in the fund from which it may be properly payable.” As allowed by Minn. Stat. § 103E.655, subd. 2, loans may be made from ditch systems with surplus funds or from the General Fund to a ditch with insufficient cash to pay expenditures. The loan must be repaid with interest.

Condition: Twenty-four of the 115 individual ditch systems had deficit cash balances totaling \$260,450 at December 31, 2014. This amount decreased from the prior year when 30 of the 109 individual ditch systems had deficit cash balances totaling \$470,124.

Context: If the County Board transfers money from another account or fund to a drainage system account, the money plus interest must be reimbursed from the proceeds of the drainage system that received the transfer, under Minn. Stat. § 103E.655, subd. 2. A fund balance to be used for repairs may be established under Minn. Stat. § 103E.735, subd. 1, for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is larger.

Effect: Allowing a ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from other ditch systems or County funds and, as such, is in noncompliance with Minnesota law.

Cause: Ditch expenditures were necessary; the ditch levies were not sufficient, and no loans were formally made between ditches.

Recommendation: We recommend the County eliminate the ditch system cash deficits by borrowing from an eligible fund with a surplus cash balance and 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 2015, one-year ditch repair liens will be levied.

PREVIOUSLY REPORTED ITEM RESOLVED

Cash Balance Deficits (1996-001)

In the prior audit, we reported that the Regional Treatment Center Special Revenue Fund and the Ditch Special Revenue Fund had deficit cash balances of \$133,298 and \$74,513, respectively.

Resolution

The County resolved the cash balance deficits with a temporary transfer of cash to the Regional Treatment Center Special Revenue Fund and by levying assessments in the Ditch Special Revenue Fund.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1996-011

Individual Ditch System Equity Balance Deficits

Criteria: Assets should exceed liabilities in order for the County to meet its obligations and maintain a positive fund balance. Under Minn. Stat. § 103E.655, drainage project costs must be paid from the drainage system account. Through the levying of assessments, Minn. Stat. § 103E.735, subd. 1, permits the accumulation of a surplus balance for the repair costs of a ditch system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is greater.

Condition: Thirty of the 115 individual ditch systems had deficit fund balances totaling \$301,791 at December 31, 2014. This amount decreased from the prior year when 41 of the 109 individual ditch systems had deficit fund balances totaling \$515,165.

Context: If the County Board transfers money from another account or fund to a drainage system account, the money plus interest must be reimbursed from the proceeds of the drainage system that received the transfer, under Minn. Stat. § 103E.655, subd. 2. A fund balance to be used for repairs may be established under Minn. Stat. § 103E.735, subd. 1, for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is larger.

Effect: Allowing a ditch system to maintain a deficit fund balance, in effect, constitutes an interest-free loan from other ditch systems or County funds and, as such, is in noncompliance with Minnesota law.

Cause: Ditch expenditures were necessary and the ditch levies were not sufficient to cover all costs.

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

Client's Response:

In 2015, one-year ditch repair liens will be levied.

C. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Kandiyohi County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year, and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live,

how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.



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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*

Independent Auditor's Report

Board of County Commissioners
Kandiyohi County
Willmar, Minnesota

We have audited, 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 24, 2015. Our report includes a reference to other auditors who audited the financial statements of the Kandiyohi County Housing and Redevelopment Authority (HRA) for the year ended June 30, 2014, 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 of the financial statements, we considered Kandiyohi County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not 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 items 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 2014-001 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 1996-008 and 2014-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kandiyohi County's financial statements are free from 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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Kandiyohi County has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Kandiyohi County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 1996-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

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 the County, and they are reported for that purpose.

Kandiyohi County's Response to Findings

Kandiyohi County's 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. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 24, 2015

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Kandiyohi County
Willmar, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Kandiyohi County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. 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.

Kandiyohi County's basic financial statements include the operations of the Kandiyohi County Housing and Redevelopment Authority (HRA) component unit, which expended \$1,182,344 in federal awards during the year ended June 30, 2014, 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kandiyohi County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Kandiyohi County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Kandiyohi County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
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