

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

YEAR ENDED DECEMBER 31, 2013

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Year Ended December 31, 2013



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

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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WILLMAR, MINNESOTA**

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

ORGANIZATION
2013

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	Gary Danielson	May 2011	May 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

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, 2013, including the Kandiyohi County Housing and Redevelopment Authority (HRA) as of and for the year ended June 30, 2013, 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, 2013, including the Kandiyohi County HRA as of June 30, 2013, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

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 GASB, 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 29, 2014, 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

REBECCA OTTO
STATE AUDITOR

September 29, 2014

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
(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, 2013. 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 \$169,999,023 of which \$113,021,825 is net investment in capital assets, and \$17,082,092 is restricted to specific purposes.
- Kandiyohi County's net position increased by \$6,901,196 for the year ended December 31, 2013. The net position of the County's discretely presented component unit decreased by \$35,558.
- The net cost of governmental activities was \$25,123,333 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$32,024,529.
- Governmental funds' net change in fund balances was a decrease of \$2,167,330.

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 \$169,999,023 on December 31, 2013. (See Table A-1.)

Table A-1
Net Position

	Governmental Activities		Percent (%) Change
	2013	2012	
Assets			
Current and other assets	\$ 79,231,628	\$ 83,177,938	(4.7)
Capital assets	160,516,421	158,255,716	1.4
Total Assets	\$ 239,748,049	\$ 241,433,654	(0.7)
Liabilities			
Current liabilities	\$ 5,135,267	\$ 6,896,275	(25.5)
Long-term liabilities	64,613,759	71,439,552	(9.6)
Total Liabilities	\$ 69,749,026	\$ 78,335,827	(11.0)
Net Position			
Net investment in capital assets	\$ 113,021,825	\$ 106,056,974	6.6
Restricted	17,082,092	20,131,323	(15.1)
Unrestricted	39,895,106	36,909,530	8.1
Total Net Position	\$ 169,999,023	\$ 163,097,827	4.2

(Unaudited)

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Changes in Net Position

The County-wide total revenues were \$64,405,909 for the year ended December 31, 2013. Property taxes and intergovernmental revenues accounted for 74.6 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
	2013	2012	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 14,820,788	\$ 14,883,890	(0.4)
Operating grants and contributions	16,803,350	15,620,566	7.6
Capital grants and contributions	757,242	965,837	(21.6)
General revenues			
Taxes	28,647,156	28,160,357	1.7
Unrestricted state aid	1,804,005	1,879,285	(4.0)
Investment earnings	(1,054,651)	359,602	(393.3)
Other	2,628,019	2,658,471	(1.1)
Total Revenues	<u>\$ 64,405,909</u>	<u>\$ 64,528,008</u>	(0.2)
Expenses			
General government	\$ 9,480,253	\$ 9,825,243	(3.5)
Public safety	13,664,193	13,197,204	3.5
Highways and streets	7,948,171	11,043,728	(28.0)
Sanitation	5,250,311	3,791,243	38.5
Human services	14,130,639	13,372,775	5.7
Health	2,609,878	2,363,752	10.4
Culture and recreation	1,173,908	1,047,088	12.1
Conservation of natural resources	1,113,896	1,745,639	(36.2)
Economic development	32,801	30,036	9.2
Interest	2,100,663	2,199,473	(4.5)
Total Expenses	<u>\$ 57,504,713</u>	<u>\$ 58,616,181</u>	(1.9)
Increase in Net Position	\$ 6,901,196	\$ 5,911,827	
Beginning Net Position	<u>163,097,827</u>	<u>157,186,000</u>	
Ending Net Position	<u>\$ 169,999,023</u>	<u>\$ 163,097,827</u>	

Figure A-3
Sources of County Revenues for Fiscal Year 2013

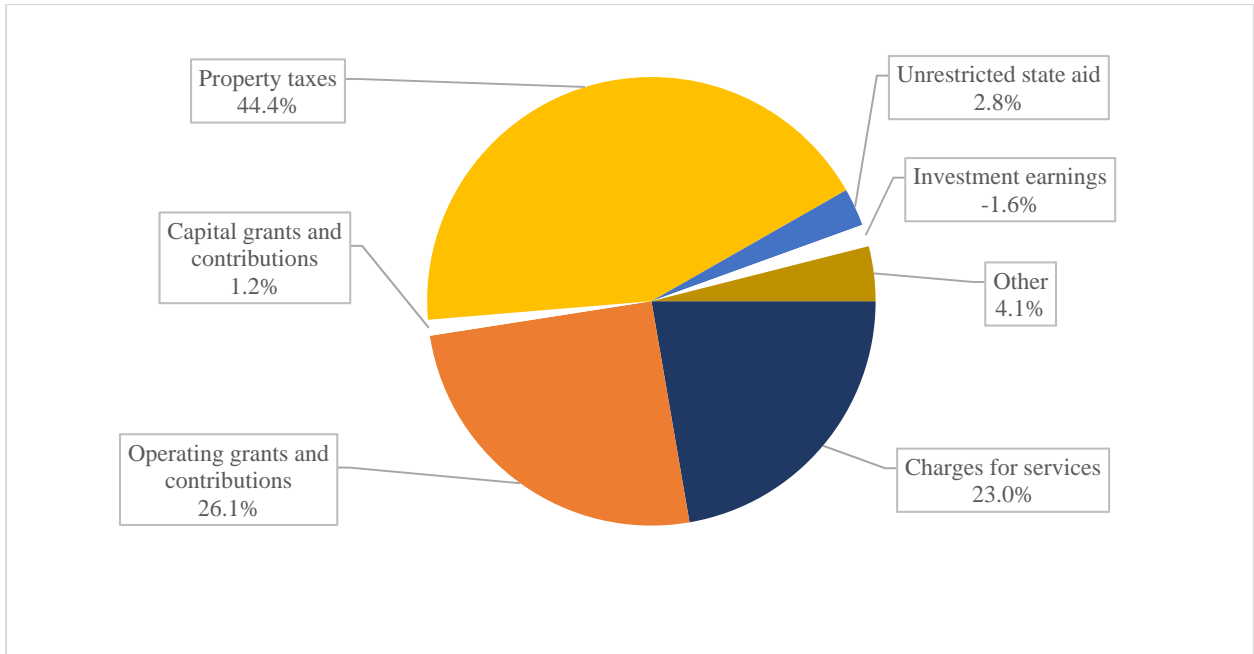
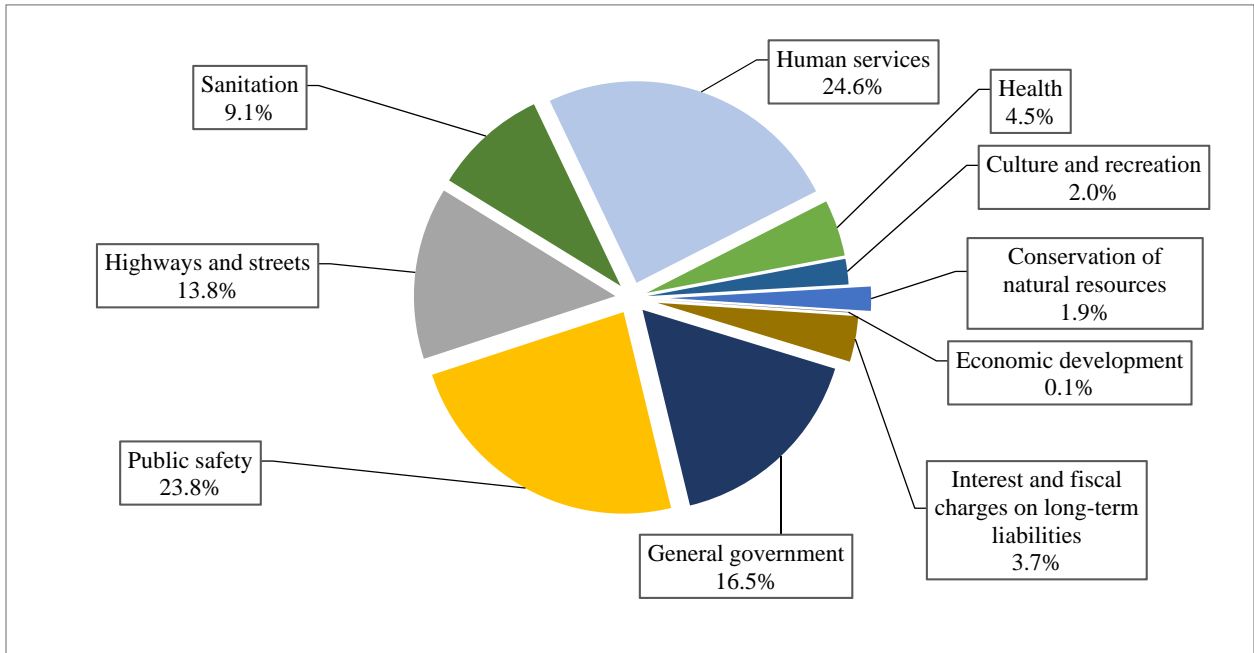


Figure A-4
Sources of County Expenses for Fiscal Year 2013



Total revenues surpassed expenses, increasing net position \$6,901,196 over last year.

The County-wide cost of all governmental activities this year was \$57,504,713.

- Some of the cost was paid by the users of the County’s programs (\$14,820,788).
- The federal and state governments subsidized certain programs with grants and contributions (\$17,560,592).
- Some of the County’s costs (\$25,123,333), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$28,517,445 in property taxes; and \$3,507,084 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
	2013	2012		2013	2012	
General government	\$ 9,480,253	\$ 9,825,243	(3.5)	\$ 6,661,003	\$ 7,371,292	(9.6)
Public safety	13,664,193	13,197,204	3.5	11,054,511	10,098,634	9.5
Highways and streets	7,948,171	11,043,728	(28.0)	(474,274)	3,570,509	(113.3)
Sanitation	5,250,311	3,791,243	38.5	(1,827,540)	(3,396,181)	(46.2)
Human services	14,130,639	13,372,775	5.7	6,402,603	5,706,840	12.2
Health	2,609,878	2,363,752	10.4	608,094	577,937	5.2
Culture and recreation	1,173,908	1,047,088	12.1	668,270	589,972	13.3
Conservation of natural resources	1,113,896	1,745,639	(36.2)	(102,798)	397,376	(125.9)
Economic development	32,801	30,036	9.2	32,801	30,036	9.2
Interest and fiscal charges on long-term liabilities	2,100,663	2,199,473	(4.5)	2,100,663	2,199,473	(4.5)
Total	\$ 57,504,713	\$ 58,616,181	(1.9)	\$ 25,123,333	\$ 27,145,888	(7.5)

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 \$54,170,965.

Revenues for the County’s governmental funds were \$64,421,076, while total expenditures were \$66,823,389. During 2013, the County also issued 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	
	2013	2012	Increase (Decrease)	Percent (%)
Taxes	\$ 14,822,676	\$ 14,524,451	\$ 298,225	2.1
Intergovernmental	4,685,779	4,029,843	655,936	16.3
Charges for services	3,360,480	3,569,042	(208,562)	(5.8)
Investment earnings	(301,515)	77,823	(379,338)	(487.4)
Miscellaneous and other	1,915,765	2,261,237	(345,472)	(15.3)
Total General Fund Revenues	\$ 24,483,185	\$ 24,462,396	\$ 20,789	0.1

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

**Table A-7
General Fund Expenditures**

	Year Ended December 31		Change	
	2013	2012	Increase (Decrease)	Percent (%)
General government	\$ 7,771,937	\$ 7,754,541	\$ 17,396	0.2
Public safety	12,899,496	12,393,839	505,657	4.1
Sanitation	14	278	(264)	(95.0)
Health	2,619,805	2,357,132	262,673	11.1
Culture and recreation	494,969	465,853	29,116	6.3
Conservation of natural resources	586,852	524,079	62,773	12.0
Economic development	32,801	30,036	2,765	9.2
Debt service	227,731	213,694	14,037	6.6
Total General Fund Expenditures	\$ 24,633,605	\$ 23,739,452	\$ 894,153	3.8

General Fund Budgetary Highlights

- Actual revenues were \$901,885 more than budget.
- Actual expenditures were \$1,262,705 more than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2013, the County had invested \$212,889,554 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 \$4,673,021.

**Table A-8
Capital Assets**

	2013	2012	Percent (%) Change
Land	\$ 5,987,379	\$ 5,918,246	1.2
Landfill	4,418,445	4,418,445	-
Infrastructure	127,117,347	124,673,247	2.0
Buildings	45,066,602	44,872,866	0.4
Machinery, vehicles, furniture, and equipment	15,658,143	15,304,548	2.3
Construction in progress	14,326,156	10,963,653	30.7
Software	315,482	315,482	-
Less: accumulated depreciation	<u>(52,373,133)</u>	<u>(48,210,771)</u>	8.6
Total Capital Assets	<u>\$ 160,516,421</u>	<u>\$ 158,255,716</u>	1.4

Debt

At year-end, the County had outstanding debt of \$53,507,757 versus \$60,992,789 last year, a decrease of 12.3 percent as shown in Table A-9.

**Table A-9
Outstanding Debt**

	2013	2012	Percent (%) Change
General obligation bonds	\$ 19,840,000	\$ 22,655,000	(12.4)
Special assessment bonds	18,070,000	19,210,000	(5.9)
Capital lease	2,063,610	2,423,288	(14.8)
Deferred (discount) premiums	(52,302)	(43,818)	19.4
Loans payable	<u>13,586,449</u>	<u>16,748,319</u>	(18.9)
Total Outstanding Debt	<u>\$ 53,507,757</u>	<u>\$ 60,992,789</u>	(12.3)

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, 2013**

	Primary Government Governmental Activities	Component Unit Kandiyohi County Housing and Redevelopment Authority
<u>Assets</u>		
Current assets		
Cash and investments	\$ 53,146,512	\$ 952,181
Taxes receivable - net	490,439	-
Special assessments receivable - net	63,412	-
Accounts receivable - net	2,542,687	86,128
Accrued interest receivable	217,121	-
Property available for resale	-	170,448
Due from other governments	2,670,257	-
Current portion of loans receivable	415,000	-
Current portion of long-term receivable	18,667	-
Rent receivable	-	2,508
Inventories	374,470	-
Prepaid items	-	9,614
Noncurrent assets		
Special assessments receivable - net	15,869,764	-
Loans receivable	2,974,707	-
Long-term receivable	144,665	278,063
Other postemployment benefits receivable	303,927	-
Restricted assets		
Cash and pooled investments	-	30,934
Capital assets		
Non-depreciable	20,313,535	82,358
Depreciable - net of accumulated depreciation	140,202,886	867,714
Total Assets	\$ 239,748,049	\$ 2,479,948

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	Primary Government Governmental Activities	Component Unit Kandiyohi County Housing and Redevelopment Authority
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 1,337,036	\$ 28,867
Salaries payable	1,413,391	-
Accrued payroll and payroll taxes	-	44,506
Contracts payable	361,150	-
Due to other governments	553,017	-
Accrued interest payable	636,098	4,133
Unearned revenue	834,575	17,212
Other accrued liabilities	-	1,223
Restricted liabilities payable from restricted assets		
Security deposits	-	14,795
Long-term liabilities		
Due within one year	5,908,220	45,541
Due in more than one year	58,705,539	1,433,214
	\$ 69,749,026	\$ 1,589,491
<u>Deferred Inflows of Resources</u>		
Property taxes levied for subsequent years expenditures	\$ -	\$ 62,584
<u>Net Position</u>		
Net investment in capital assets	\$ 113,021,825	\$ (195,653)
Restricted for		
General government	548,514	-
Public safety	1,068,325	-
Highways and streets	755,418	-
Sanitation	3,507,878	-
Conservation of natural resources	528,995	-
Debt service	10,672,962	-
Other purpose	-	16,055
Unrestricted	39,895,106	1,007,471
	\$ 169,999,023	\$ 827,873

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 9,480,253	\$ 2,588,334
Public safety	13,664,193	1,342,257
Highways and streets	7,948,171	1,160,277
Sanitation	5,250,311	6,930,593
Human services	14,130,639	760,866
Health	2,609,878	710,837
Culture and recreation	1,173,908	339,451
Conservation of natural resources	1,113,896	988,173
Economic development	32,801	-
Interest	2,100,663	-
Total Primary Government	<u>\$ 57,504,713</u>	<u>\$ 14,820,788</u>
Component unit		
Kandiyohi County Housing and Redevelopment Authority	<u>\$ 1,756,637</u>	<u>\$ 364,004</u>

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

Total general revenues

Change in net position

Net Position - Beginning

Net Position - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Discretely Presented Component Unit
\$ 230,916	\$ -	\$ (6,661,003)	
1,267,425	-	(11,054,511)	
6,504,926	757,242	474,274	
147,258	-	1,827,540	
6,967,170	-	(6,402,603)	
1,290,947	-	(608,094)	
166,187	-	(668,270)	
228,521	-	102,798	
-	-	(32,801)	
-	-	(2,100,663)	
\$ 16,803,350	\$ 757,242	\$ (25,123,333)	
\$ 1,220,088	\$ -		\$ (172,545)
		\$ 28,517,445	\$ -
		59,422	-
		43,371	-
		26,918	-
		-	132,168
		521,889	-
		1,804,005	-
		(1,054,651)	4,819
		2,091,040	-
		15,090	-
		\$ 32,024,529	\$ 136,987
		\$ 6,901,196	\$ (35,558)
		163,097,827	863,431
		\$ 169,999,023	\$ 827,873

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Sanitary Landfill/ Recycling Center</u>
<u>Assets</u>				
Cash and investments	\$ 14,186,904	\$ 5,262,702	\$ 4,921,991	\$ 10,672,884
Taxes receivable				
Prior	250,321	67,424	100,601	-
Special assessments				
Prior	28,505	-	-	-
Noncurrent	1,359,577	-	-	-
Accounts receivable	233,405	-	-	1,386,003
Accrued interest receivable	59,706	6,328	-	78,878
Due from other funds	14,732	4,925	-	26,283
Due from other governments	479,765	1,008,190	818,752	7,847
Inventories	-	374,470	-	-
Loans receivable	-	-	-	-
Advance to other funds	-	-	-	-
Long-term receivable	-	-	-	-
Total Assets	<u>\$ 16,612,915</u>	<u>\$ 6,724,039</u>	<u>\$ 5,841,344</u>	<u>\$ 12,171,895</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable	210,959	193,711	366,673	357,739
Salaries payable	877,746	127,515	324,642	29,253
Contracts payable	-	361,150	-	-
Due to other funds	27,007	49,814	11,301	6,208
Due to other governments	314,295	57,121	72,753	30,734
Unearned revenue	834,575	-	-	-
Advance from other funds	-	-	-	-
Total Liabilities	<u>\$ 2,264,582</u>	<u>\$ 789,311</u>	<u>\$ 775,369</u>	<u>\$ 423,934</u>
Deferred Inflows of Resources				
Unavailable revenue	<u>\$ 1,628,569</u>	<u>\$ 1,034,619</u>	<u>\$ 544,930</u>	<u>\$ 1,297,514</u>

EXHIBIT 3

<u>County Building</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 5,240,266	\$ 7,194,652	\$ 10,577	\$ 5,844,347	\$ 53,334,323
7,984	34,094	-	30,015	490,439
-	29,544	3,207	2,156	63,412
-	13,134,245	849,478	526,464	15,869,764
148	421,563	-	501,568	2,542,687
17,213	-	-	54,996	217,121
859	-	-	49,464	96,263
11,956	72,436	-	271,311	2,670,257
-	-	-	-	374,470
-	3,389,707	-	-	3,389,707
185,167	-	-	-	185,167
163,332	-	-	-	163,332
<u>\$ 5,626,925</u>	<u>\$ 24,276,241</u>	<u>\$ 863,262</u>	<u>\$ 7,280,321</u>	<u>\$ 79,396,942</u>
\$ -	\$ -	\$ -	\$ 187,811	\$ 187,811
27,706	-	-	180,248	1,337,036
-	-	-	54,235	1,413,391
-	-	-	-	361,150
-	-	-	1,933	96,263
4,237	23,571	-	50,306	553,017
-	-	-	-	834,575
-	-	-	185,167	185,167
<u>\$ 31,943</u>	<u>\$ 23,571</u>	<u>\$ -</u>	<u>\$ 659,700</u>	<u>\$ 4,968,410</u>
<u>\$ 23,213</u>	<u>\$ 13,579,708</u>	<u>\$ 852,508</u>	<u>\$ 1,296,506</u>	<u>\$ 20,257,567</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General	Road and Bridge	Human Services	Sanitary Landfill/ Recycling Center
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
(Continued)				
Fund Balances				
Nonspendable				
Inventories	\$ -	\$ 374,470	\$ -	\$ -
Restricted for				
Debt service	-	-	-	-
Recorder's equipment purchases	509,012	-	-	-
Sheriff's contingency	118,896	-	-	-
Forfeited property	171,931	-	-	-
Permit to carry	169,747	-	-	-
Public safety	61,719	-	-	-
Sanitation	-	-	-	3,507,878
Donations - public safety	7,187	-	-	-
Enhanced 911	538,845	-	-	-
Gravel pit restoration	177,813	-	-	-
ISTS loans	39,502	-	-	-
Closure/postclosure	-	-	-	6,942,569
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	-	4,525,639	-	-
Human services	-	-	4,521,045	-
Capital projects	-	-	-	-
Unassigned	10,925,112	-	-	-
Total Fund Balances	\$ 12,719,764	\$ 4,900,109	\$ 4,521,045	\$ 10,450,447
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,612,915	\$ 6,724,039	\$ 5,841,344	\$ 12,171,895

EXHIBIT 3
(Continued)

<u>County Building</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 374,470
-	10,672,962	-	-	10,672,962
-	-	-	-	509,012
-	-	-	-	118,896
-	-	-	-	171,931
-	-	-	-	169,747
-	-	-	-	61,719
-	-	-	-	3,507,878
-	-	-	-	7,187
-	-	-	-	538,845
-	-	-	-	177,813
-	-	-	-	39,502
-	-	-	-	6,942,569
-	-	-	351,182	351,182
5,571,769	-	-	-	5,571,769
-	-	-	3,288,733	3,288,733
-	-	-	259,650	259,650
-	-	-	1,493,853	1,493,853
-	-	-	217,696	217,696
-	-	-	27,048	27,048
-	-	-	520,111	520,111
-	-	-	-	4,525,639
-	-	-	-	4,521,045
-	-	10,754	-	10,754
-	-	-	(834,158)	10,090,954
<u>\$ 5,571,769</u>	<u>\$ 10,672,962</u>	<u>\$ 10,754</u>	<u>\$ 5,324,115</u>	<u>\$ 54,170,965</u>
<u>\$ 5,626,925</u>	<u>\$ 24,276,241</u>	<u>\$ 863,262</u>	<u>\$ 7,280,321</u>	<u>\$ 79,396,942</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, 2013**

Fund balances - total governmental funds (Exhibit 3)		\$ 54,170,965
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.		160,516,421
Revenue in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		20,257,567
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	\$ (19,840,000)	
Special assessment bonds	(18,070,000)	
Unamortized premium on bonds	(98,565)	
Unamortized discount on bonds	150,867	
Capital leases payable	(2,063,610)	
Loans payable	(13,586,449)	
Estimated liability for landfill closure/postclosure	(6,942,569)	
Compensated absences	(4,163,433)	
Net other postemployment benefits	<u>303,927</u>	(64,309,832)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		<u>(636,098)</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 169,999,023</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Sanitary Landfill/ Recycling Center</u>
Revenues				
Taxes	\$ 14,822,676	\$ 3,927,275	\$ 5,779,350	\$ -
Special assessments	295,811	-	-	-
Licenses and permits	489,430	-	-	1,390
Intergovernmental	4,685,779	6,881,565	6,833,725	147,258
Charges for services	3,360,480	1,150,860	620,850	2,936,335
Fines and forfeits	81,966	-	-	-
Gifts and contributions	10,959	-	-	-
Investment earnings	(301,515)	(46,430)	-	(544,530)
Miscellaneous	1,037,599	21,574	140,016	593,776
Total Revenues	\$ 24,483,185	\$ 11,934,844	\$ 13,373,941	\$ 3,134,229
Expenditures				
Current				
General government	\$ 7,771,937	\$ -	\$ -	\$ -
Public safety	12,899,496	-	-	-
Highways and streets	-	10,539,903	-	-
Sanitation	14	-	-	2,975,430
Human services	-	-	14,139,302	-
Health	2,619,805	-	-	-
Culture and recreation	494,969	-	-	-
Conservation of natural resources	586,852	-	-	-
Economic development	32,801	-	-	-
Intergovernmental				
Highways and streets	-	358,159	-	-
Culture and recreation	-	-	-	-
Capital outlay				
Sanitation	-	-	-	-
Debt service				
Principal	190,763	425,000	-	-
Interest	36,968	127,390	-	-
Bond issuance costs	-	-	-	-
Administrative (fiscal) charges	-	1,302	-	-
Total Expenditures	\$ 24,633,605	\$ 11,451,754	\$ 14,139,302	\$ 2,975,430
Excess of Revenues Over (Under) Expenditures	\$ (150,420)	\$ 483,090	\$ (765,361)	\$ 158,799

EXHIBIT 5

County Building	Debt Service	Capital Projects	Nonmajor Funds	Total
\$ 374,771	\$ 1,958,437	\$ -	\$ 1,830,814	\$ 28,693,323
-	1,691,434	77,198	775,516	2,839,959
-	-	-	-	490,820
28,250	3,186	-	195,909	18,775,672
-	1,335,355	-	1,188,113	10,591,993
-	-	-	18,902	100,868
-	-	-	-	10,959
(74,661)	-	-	(168,809)	(1,135,945)
402,810	220,784	-	1,636,868	4,053,427
\$ 731,170	\$ 5,209,196	\$ 77,198	\$ 5,477,313	\$ 64,421,076
\$ 519,678	\$ -	\$ -	\$ 1,030,017	\$ 9,321,632
3,842	-	-	149,305	13,052,643
-	-	-	390,386	10,930,289
-	-	-	1,375,316	4,350,760
-	-	-	-	14,139,302
-	-	-	-	2,619,805
117,676	-	-	188,158	800,803
28,924	-	-	497,617	1,113,393
-	-	-	-	32,801
-	-	-	-	358,159
-	-	-	352,700	352,700
-	-	81,856	-	81,856
-	6,721,000	-	359,678	7,696,441
-	1,680,248	-	117,424	1,962,030
-	9,473	-	-	9,473
-	-	-	-	1,302
\$ 670,120	\$ 8,410,721	\$ 81,856	\$ 4,460,601	\$ 66,823,389
\$ 61,050	\$ (3,201,525)	\$ (4,658)	\$ 1,016,712	\$ (2,402,313)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Sanitary Landfill/ Recycling Center</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ 13,601
Transfers out	(13,601)	-	-	-
Loans issued	219,893	-	-	-
Proceeds from sale of capital assets	12,030	-	2,550	510
Total Other Financing Sources (Uses)	\$ 218,322	\$ -	\$ 2,550	\$ 14,111
Net Changes in Fund Balances	\$ 67,902	\$ 483,090	\$ (762,811)	\$ 172,910
Fund Balance - January 1	12,651,862	4,337,884	5,283,856	10,277,537
Increase (decrease) in inventories	-	79,135	-	-
Fund Balance - December 31	\$ 12,719,764	\$ 4,900,109	\$ 4,521,045	\$ 10,450,447

EXHIBIT 5
(Continued)

County Building	Debt Service	Capital Projects	Nonmajor Funds	Total
\$ -	\$ 633,438	\$ 10,203	\$ 22,812	\$ 680,054
-	(22,812)	-	(643,641)	(680,054)
-	-	-	-	219,893
-	-	-	-	15,090
\$ -	\$ 610,626	\$ 10,203	\$ (620,829)	\$ 234,983
\$ 61,050	\$ (2,590,899)	\$ 5,545	\$ 395,883	\$ (2,167,330)
5,510,719	13,263,861	5,209	4,928,232	56,259,160
-	-	-	-	79,135
\$ 5,571,769	\$ 10,672,962	\$ 10,754	\$ 5,324,115	\$ 54,170,965

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (2,167,330)

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	\$ 20,257,567	
Unavailable revenue - January 1	(20,287,824)	(30,257)

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	\$ 6,975,588	
Net book value of assets sold	(41,862)	
Current year depreciation	(4,673,021)	2,260,705

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		(219,893)

Principal repayments		
General obligation bonds	\$ 2,815,000	
Special assessment bonds	1,140,000	
Capital leases	359,678	
Loans payable	3,381,763	7,696,441

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

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	\$	74,175	
Current year amortization of premium on bonds issued		22,062	
Current year amortization of discount on bonds issued		(13,577)	
Expense of prior year issuance costs		(210,518)	
Change in compensated absences		(152,325)	
Change in net other postemployment benefits		69,493	
Change in inventories		79,135	
Change in estimated liability for landfill closure/postclosure		(506,915)	(638,470)
Change in Net Position of Governmental Activities (Exhibit 2)			<u><u>\$ 6,901,196</u></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, 2013**

	<u>Agency Fund</u>
<u>Assets</u>	
Cash and investments	\$ 1,293,548
Due from other governments	346
Total Assets	<u>\$ 1,293,894</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 1,293,894</u>

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013. 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.

During 2013, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statement No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.7. in the notes to the financial statements for additional information regarding the County's deferred outflows/inflows of resources.

Restatements of December 31, 2012, net position or fund balance were not required as a result of adopting these changes in accounting principles.

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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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.

Blended Component Unit

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

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

Discretely Presented Component Unit

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Unit (Continued)

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

Joint Ventures

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

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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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.

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 types:

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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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, 2013, 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 2013, the County reports negative pooled investment earnings of \$301,515 due to a decrease in the market value of investments.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. The taxes receivable allowance is equal to 1.5 percent of outstanding property taxes at year-end.

Special assessments receivable consist of delinquent special assessments payable in the years 2001 through 2013 and deferred special assessments payable in 2014 and after. All special assessments receivable are shown net of an allowance for uncollectible. The special assessments receivable allowance is equal to 1.5 percent of outstanding special assessments at year-end.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories

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

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.

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:

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

Assets	Years
Buildings	20 - 50
Landfill	50
Public domain infrastructure	50 - 75
Furniture, equipment, and vehicles	5 - 20
Software	2 - 5

6. 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. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Deferred Outflows/Inflows of Resources and Unearned Revenue

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources and Unearned Revenue (Continued)

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.

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

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.

9. Classification of Net Position

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Classification of Net Position (Continued)

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.

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

10. Classification of Fund Balances

In the fund financial statements, 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 it is either not in spendable form or is 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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

Assigned - amounts intended to be used by the government for specific purposes but 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 unassigned fund balance is the residual classification for the General Fund and 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.

The County applies restricted resources first when expenditures are incurred for purposes for which both restricted and 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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. 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.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Ditch Special Revenue Fund

Forty-one of 109 drainage systems of the Ditch Special Revenue Fund have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balance as of December 31, 2013:

Account balances	\$ 351,182
Account deficits	<u>(515,165)</u>
Fund Balance	<u>\$ (163,983)</u>

Regional Treatment Center Special Revenue Fund

At December 31, 2013, the Regional Treatment Center Special Revenue Fund had a deficit fund balance of \$318,993. This deficit is expected to be eliminated through the collection of future lease payments and possible transfers from other County funds.

**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	\$ 53,146,512
Statement of fiduciary net position	
Cash and investments	<u>1,293,548</u>
 Total Cash and Investments	 <u>\$ 54,440,060</u>

a. Deposits

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk other than complying with the requirements of Minnesota statutes. As of December 31, 2013, the County's deposits were not exposed to custodial credit risk.

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.
- (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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. The Bremer repurchase agreement has custodial credit risk. The County has no other custodial credit risk for investments as of December 31, 2013.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2013, 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	\$ 130,663	\$ 300,018	\$ 13,421,044	\$ 13,851,725
Federal National Mortgage Association	Aaa	-	247,453	5,299,401	5,546,854
Federal Home Loan Mortgage Corporation	Aaa	-	54,995	193,828	248,823
Federal Farm Credit Bank	Aaa	-	380,797	-	380,797
		<u>\$ 130,663</u>	<u>\$ 983,263</u>	<u>\$ 18,914,273</u>	<u>\$ 20,028,199</u>
Total U.S. government securities/bonds					
U.S. government treasury notes	Aaa	99,957	89,418	-	189,375
State and local government taxable revenue bonds	Aaa/Aa/NR	657,328	1,653,421	2,035,563	4,346,312
Repurchase agreements	NR	9,174,318	-	-	9,174,318
Investment pools - MAGIC Fund	NR	10,353,217	-	-	10,353,217
Money market accounts with brokers	NR	103,610	-	-	103,610
Negotiable certificates of deposit	NR	248,484	1,707,555	229,491	2,185,530
		<u>\$ 20,767,577</u>	<u>\$ 4,433,657</u>	<u>\$ 21,179,327</u>	<u>\$ 46,380,561</u>
Total investments					
Deposits					8,018,194
Departmental cash					38,790
Petty cash					<u>2,515</u>
Total Cash and Investments					<u>\$ 54,440,060</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2013, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Funds		
Receivables		
Taxes	\$ 490,439	\$ -
Special assessments	15,933,176	15,869,764
Accounts	2,542,687	2,044,252
Accrued interest	217,121	-
Due from other governments	2,670,257	-
Loans	3,389,707	2,974,707
Long-term	163,332	144,665
Fiduciary Funds		
Receivables		
Due from other governments	346	-
Total receivables	\$ 25,407,065	\$ 21,033,388

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, 2013, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 5,918,246	\$ 69,133	\$ -	\$ 5,987,379
Construction in progress	10,963,653	5,806,603	2,444,100	14,326,156
Total capital assets not depreciated	<u>\$ 16,881,899</u>	<u>\$ 5,875,736</u>	<u>\$ 2,444,100</u>	<u>\$ 20,313,535</u>
Capital assets depreciated				
Landfill	\$ 4,418,445	\$ -	\$ -	\$ 4,418,445
Buildings	44,872,866	193,736	-	45,066,602
Machinery, vehicles, furniture, and equipment	15,304,548	906,116	552,521	15,658,143
Infrastructure	124,673,247	2,444,100	-	127,117,347
Software	315,482	-	-	315,482
Total capital assets depreciated	<u>\$ 189,584,588</u>	<u>\$ 3,543,952</u>	<u>\$ 552,521</u>	<u>\$ 192,576,019</u>
Less: accumulated depreciation for				
Landfill	\$ 1,171,757	\$ 110,444	\$ -	\$ 1,282,201
Buildings	12,110,338	997,247	-	13,107,585
Machinery, vehicles, furniture, and equipment	9,504,506	1,044,168	510,659	10,038,015
Infrastructure	25,324,082	2,458,065	-	27,782,147
Software	100,088	63,097	-	163,185
Total accumulated depreciation	<u>\$ 48,210,771</u>	<u>\$ 4,673,021</u>	<u>\$ 510,659</u>	<u>\$ 52,373,133</u>
Total capital assets depreciated, net	<u>\$ 141,373,817</u>	<u>\$ (1,129,069)</u>	<u>\$ 41,862</u>	<u>\$ 140,202,886</u>
Governmental Activities Capital Assets, Net	<u>\$ 158,255,716</u>	<u>\$ 4,746,667</u>	<u>\$ 2,485,962</u>	<u>\$ 160,516,421</u>

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

Governmental Activities	
General government	\$ 564,448
Public safety	813,814
Highways and streets, including depreciation of infrastructure assets	2,045,272
Sanitation	1,032,339
Human services	10,532
Culture and recreation	19,558
Conservation of natural resources	187,058
Total Depreciation Expense - Governmental Activities	<u>\$ 4,673,021</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2013, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General	Road and Bridge	\$ 1,089	Supplies provided
	Human Services	10,442	Charges for services rendered and supplies provided
	Sanitary Landfill	1,283	Charges for services rendered and supplies provided
	Other nonmajor	<u>1,918</u>	Charges for services rendered and supplies provided
Total due to General Fund		<u>\$ 14,732</u>	
Road and Bridge	Sanitary Landfill	<u>\$ 4,925</u>	Charges for services rendered
Sanitary Landfill	General	\$ 26,268	Capital equipment money
	Other nonmajor	<u>15</u>	Charges for services rendered
Total due to Sanitary Landfill		<u>\$ 26,283</u>	
County Building	Human Services	<u>\$ 859</u>	Charges for services rendered
Other nonmajor funds	General	\$ 739	Supplies provided
	Road and Bridge	<u>48,725</u>	Ditch special assessments and charges for services rendered
Total due to other nonmajor funds		<u>\$ 49,464</u>	Charges for services rendered
Total Due To/From Other Funds		<u>\$ 96,263</u>	

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advance To/From Other Funds

Receivable Fund	Payable Fund	Amount	
County Building	Other nonmajor	\$ 185,167	Boiler decentralization loan

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following:

Transfer to Sanitary Landfill Special Revenue Fund from General Fund	\$ 13,601	Prior years carryforward balance
Transfer to Debt Service Fund from other nonmajor funds	633,438	Provide funds for debt service
Transfer to Capital Projects Fund from other nonmajor funds	10,203	Reimburse Tri-Lakes bond
Transfer to other nonmajor funds from Debt Service Fund	22,812	Report current expenditures in the Debt Service Fund
Total Interfund Transfers	\$ 680,054	

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2013, were as follows:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Accounts	\$ 1,337,036	\$ -
Salaries	1,413,391	-
Contracts	361,150	-
Due to other governments	<u>553,017</u>	<u>1,293,894</u>
Total Payables	<u>\$ 3,664,594</u>	<u>\$ 1,293,894</u>

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 18 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2013, the County expended \$104,200 for these benefits.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2013
General obligation bonds					
2004 Taxable G.O. Tax Abatement Bonds	2022	\$270,000 - \$540,000	3.125 - 5.30	\$ 6,135,000	\$ 4,000,000
2004 G.O. Law Enforcement Facility Refunding Bonds	2021	\$385,000 - \$1,340,000	3.375 - 4.15	7,045,000	4,965,000
2005 G.O. Road Reconstruction Bonds	2027	\$125,000 - \$270,000	3.75 - 4.25	3,700,000	2,875,000
2007 G.O. Law Enforcement Facility Refunding Bonds	2020	\$435,000 - \$695,000	4.00	7,100,000	4,280,000
2008 G.O. Capital Equipment Bonds	2016	\$40,000 - \$510,000	3.00 - 4.80	3,550,000	1,620,000
2009A Capital Improvement Bonds	2016	\$490,000 - \$615,000	2.00 - 3.00	4,010,000	1,815,000
2009B State Aid Highway Refunding Bonds	2014	\$265,000 - \$285,000	2.00 - 2.25	1,365,000	285,000
Total General Obligation Bonds				<u>\$ 32,905,000</u>	<u>\$ 19,840,000</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	\$ 5,430,000
2010A G.O. Sewer and Water Revenue Bonds	2032	\$225,000 - \$435,000	3.00 - 4.00	6,245,000	6,020,000
2010B G.O. Sewer and Water Revenue Refunding Bonds	2022	\$380,000 - \$480,000	1.10 - 3.45	4,220,000	3,840,000
2012 G.O. Sewer and Water Revenue Refunding Bonds	2023	\$75,000 - \$305,000	1.275	3,085,000	2,780,000
Total Special Assessment Bonds with Government Commitment				<u>\$ 19,650,000</u>	<u>\$ 18,070,000</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>\$ 2,063,610</u>
2000 Public Facilities Authority Clean Water G.O. Revenue Note	2020	\$6,397 - \$455,000	2.25	\$ 7,188,360	\$ 2,982,000
2001 Public Facilities Authority Clean Water G.O. Revenue Note	2021	\$3,344 - \$228,000	2.25	3,648,450	1,688,000
2002 Public Facilities Authority Clean Water G.O. Revenue Note	2021	\$567 - \$40,000	2.14	651,000	299,000
2006A Public Facilities Authority Clean Water G.O. Revenue Note	2026	\$178,876 - \$216,000	1.00	3,761,876	2,652,000

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2013
2000 Public Facilities Authority Drinking Water G.O. Revenue Note	2019	\$3,054 - \$158,450	3.54	2,262,450	873,450
2001 Public Facilities Authority Drinking Water G.O. Revenue Note	2020	\$1,409 - \$70,000	3.54	1,012,260	443,000
2006B Public Facilities Authority Wastewater Infrastructure G.O. Revenue Note	2032	\$9,124 - \$109,000	0.00	1,208,124	1,208,124
Hawk Creek Watershed Clean Water Partnership Project	2014	\$8,599	2.00	155,169	8,513
Hawk Creek Watershed Continuation Clean Water Partnership Project	2016	\$17,027	2.00	307,260	98,679
Shakopee Creek Headwaters Clean Water Partnership Project	2015	\$12,907	2.00	232,906	37,958
Hawk Creek Watershed Continuation Clean Water Partnership Project	2020	\$26,804	2.00	483,701	325,238
Shakopee Creek Headwaters Continuation Clean Water Partnership Project	2018	\$11,515	2.00	207,794	109,062
Crow River Basin Clean Water Partnership Project	2021	\$23,752	2.00	370,772	288,084
Shakopee Creek Headwaters Continuation Clean Water Partnership Project	2021	\$14,408	2.00	166,331	135,659
Hawk Creek Watershed Continuation Clean Water Partnership Project	2023	\$26,799	2.00	328,055	407,235
Crow River Watershed - Reducing Surface Water Runoff Project*	2024	\$17,290	2.00	289,698	289,698
Chippewa River Accelerated Restoration Clean Water Partnership Project*	2025	\$11,526	2.00	81,693	81,693
Hawk Creek Watershed Nitrogen Reduction Clean Water Partnership Project*	2026	\$23,053	2.00	24,056	24,056
City of New London USDA Rural Development	2029	\$85,000 - \$125,000	2.00 - 3.10	1,735,000	1,635,000
Total Loans Payable				<u>\$ 24,114,955</u>	<u>\$ 13,586,449</u>

*The outstanding balance for these loans represents the amount received from the Minnesota Pollution Control Agency as of December 31, 2013. 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 (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2013, were as follows:

Year Ending December 31	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 2,910,000	\$ 758,757	\$ 1,200,000	\$ 586,208
2015	2,725,000	655,989	1,220,000	560,341
2016	2,825,000	548,966	1,260,000	531,979
2017	1,720,000	457,071	1,285,000	501,509
2018	1,795,000	382,251	1,315,000	468,951
2019 - 2023	6,860,000	776,207	5,755,000	1,767,175
2024 - 2028	1,005,000	87,384	3,555,000	932,481
2029 - 2033	-	-	2,480,000	175,340
Total	<u>\$ 19,840,000</u>	<u>\$ 3,666,625</u>	<u>\$ 18,070,000</u>	<u>\$ 5,523,984</u>

Year Ending December 31	Loans		Capital Leases	
	Principal	Interest	Principal	Interest
2014	\$ 1,318,173	\$ 250,312	\$ 376,300	\$ 90,033
2015	1,328,068	221,425	393,688	72,644
2016	1,343,174	192,314	411,881	54,452
2017	1,336,912	162,819	430,914	35,419
2018	1,369,266	133,907	450,827	15,506
2019 - 2023	3,960,282	287,193	-	-
2024 - 2028	1,638,000	73,540	-	-
2029 - 2033	897,127	1,937	-	-
Total	<u>\$ 13,191,002</u>	<u>\$ 1,323,447</u>	<u>\$ 2,063,610</u>	<u>\$ 268,054</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 22,655,000	\$ -	\$ 2,815,000	\$ 19,840,000	\$ 2,910,000
Special assessment debt with government commitment	19,210,000	-	1,140,000	18,070,000	1,200,000
Add: premium on bonds	120,627	-	22,062	98,565	-
Less: discount on bonds	(164,444)	-	(13,577)	(150,867)	-
Total bonds payable	\$ 41,821,183	\$ -	\$ 3,963,485	\$ 37,857,698	\$ 4,110,000
Capital lease	2,423,288	-	359,678	2,063,610	376,300
Loans payable	16,748,319	219,893	3,381,763	13,586,449	1,318,173
Estimated liability for landfill closure/postclosure	6,435,654	506,915	-	6,942,569	-
Compensated absences	4,011,108	530,305	377,980	4,163,433	103,747
Governmental Activities Long-Term Liabilities	<u>\$ 71,439,552</u>	<u>\$ 1,257,113</u>	<u>\$ 8,082,906</u>	<u>\$ 64,613,759</u>	<u>\$ 5,908,220</u>

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

General	\$ 190,763
Road and Bridge Special Revenue	425,000
Debt Service	6,721,000
Other nonmajor funds	359,678
Total Debt Reductions	<u>\$ 7,696,441</u>

**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 three years of credited service (five years for those first eligible for membership after June 30, 2010).

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. 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. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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 average yearly salary for any five successive years of allowable service, age, and years of credit at termination of service.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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 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 of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all 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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2013:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Employees Retirement Fund	\$ 1,147,636	\$ 1,134,021	\$ 1,135,701
Public Employees Police and Fire Fund	339,781	346,488	334,551
Public Employees Correctional Fund	189,802	184,903	190,790

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plan (Continued)

B. Other Postemployment Benefits (OPEB)

Plan Description

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

The contribution requirements of the plan members and the County are established and may be amended by the Kandiyohi County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Early retirees (under age 65) contribute to the health care plan at the same rate as active employees. This results in the early retirees receiving an implicit rate subsidy. For fiscal year 2013, the County contributed \$236,553 to the plan; there were 399 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	\$	163,245
Interest on net OPEB obligation		(10,550)
Adjustments to ARC		14,365
		167,060
Annual OPEB cost (expense)	\$	167,060
Contributions made		(236,553)
		(69,493)
Increase (Decrease) in net OPEB obligation	\$	(69,493)
Net OPEB Obligation/(Asset) - Beginning of Year		(234,434)
		(303,927)
Net OPEB Obligation/(Asset) - End of Year	\$	(303,927)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plan

B. 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 2013 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, 2011	\$ 159,181	\$ 244,420	153.5%	\$ (133,800)
December 31, 2012	165,404	266,038	160.8	(234,434)
December 31, 2013	167,060	236,553	141.6	(303,927)

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial liability for benefits was \$1,651,891, and the actuarial valuation of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,651,891. The covered payroll (annual payroll of active employees covered by the plan) was \$19,168,849, and the ratio of the UAAL to the covered payroll was 8.6 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

B. 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, 2012, 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 8.0 percent initially, reduced by decrements to an ultimate rate of five percent after six years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets is set equal to the market value of assets. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2013, was 24 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 \$6,942,569 with no remaining capacity to be filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. 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, 2013, cash and investments of \$5,949,493 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). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County 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 prior year. The amount of settlements did not exceed insurance coverage for any of the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$470,000 per claim in 2013 and \$480,000 per claim in 2014. 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 \$34 per month for each participating employee in 2013. 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, 2013 and 2012. The following discloses the claims activity during fiscal years 2013 and 2012.

	Year Ended December 31	
	2013	2012
Beginning liability	\$ -	\$ -
Current year claims	250,723	254,224
Claim payments	(250,723)	(254,224)
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 is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

D. Joint Ventures

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

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

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

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 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.

**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, and Swift Counties and the Cities of Appleton, Clara, Cosmos, Benson, Granite Falls, Litchfield, Montevideo, Willmar, and Yellow Medicine.

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 \$177,403 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

Western Plains merged with the Crow River Library System in 1983 to become the Pioneerland Library System (Minn. Stat. ch. 134).

Kandiyohi County is a signatory along with 32 cities and 9 other counties to a joint powers agreement (revised in 2001) that forms the Pioneerland Library System. Funding provided by Kandiyohi County to the Pioneerland Library System is used to operate public libraries in Kandiyohi County and to provide efficiencies and improvements in those libraries and to library services to the citizens of the County. During the year, the County contributed \$352,700 to the System.

The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties.

Pioneerland Library System is audited annually.

Separate financial information can be obtained from:

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

E. Jointly-Governed Organizations

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

Minnesota River Board

The Minnesota River Board (formerly the Minnesota River Basin Joint Powers Board) was established July 12, 1995, by an agreement between Kandiyohi County and 37 other counties. According to the latest information available, 38 other counties are members under this agreement. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Minnesota River Board (Continued)

In the event of termination of the agreement, all property, real and personal, held by the Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

Control is vested in an executive committee of one executive director and four officers elected from the membership of the Minnesota River Powers Board, consisting of one representative from one of the member County Board of Commissioners included in this agreement. During 2013, Kandiyohi County contributed \$1,875 to the Joint Powers Board.

Complete financial statements for the Minnesota River Board can be obtained from its administrative office at Administrative Building No. 14, 600 East 4th Street, Chaska, Minnesota 55318.

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.

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**

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

F. Subsequent Event

The Board of County Commissioners, during its meeting on June 3, 2014, approved the issuance of \$7,295,000 General Obligation Refunding Bonds, Series 2014A.

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, 2013.

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, 2013, are summarized as follows:

Unrestricted	
Cash on deposit	\$ 469,429
Investments (certificates of deposit)	482,752
Restricted	
Cash on deposit	<u>30,934</u>
Total	<u>\$ 983,115</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 \$983,115 as of June 30, 2013; the bank balance was \$1,081,394.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

C. Deposits and Investments (Continued)

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

The HRA 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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

D. Receivables

Receivables for the HRA at June 30, 2013, were as follows:

Accounts	\$	86,128
Rent		2,508
Long-term receivable		278,063
Total Receivables	\$	366,699

E. Capital Assets

The HRA's capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 58,915	\$ -	\$ -	\$ 58,915
Landscaping	23,443	-	-	23,443
Total capital assets not depreciated	\$ 82,358	\$ -	\$ -	\$ 82,358
Capital assets depreciated				
Buildings	\$ 1,331,468	\$ -	\$ -	\$ 1,331,468
Carpeting	48,615	-	-	48,615
Machinery, furniture, and equipment	48,362	-	-	48,362
Total capital assets depreciated	\$ 1,428,445	\$ -	\$ -	\$ 1,428,445
Less: accumulated depreciation	524,934	35,797	-	560,731
Total capital assets, depreciated, net	\$ 903,511	\$ (35,797)	\$ -	\$ 867,714
Total Capital Assets, Net	\$ 985,869	\$ (35,797)	\$ -	\$ 950,072

Depreciation expense of \$35,797 was charged to housing and redevelopment expense.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

F. Payables

Payables for the HRA at June 30, 2013, were as follows:

Accounts	\$ 28,867
Accrued payroll and payroll taxes	44,506
Accrued interest payable	4,133
Other accrued liabilities	<u>1,223</u>
Total	<u>\$ 78,729</u>

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, 2013, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Interest Rate (%)	Original Issue Amount	Remaining Commitment
Essential Function Housing Development Bond of 1997	2031	4.70 - 8.75	\$ 1,530,000	\$ 1,145,725
MHFA	2036	n/a	<u>348,561</u>	<u>333,030</u>
Total			<u>\$ 1,878,561</u>	<u>\$ 1,478,755</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

H. Long-Term Debt (Continued)

The estimated debt service requirements as of June 30, 2013, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 45,541	\$ 51,711	\$ 97,252
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 - 2023	316,903	169,354	486,257
2024 - 2028	400,669	85,588	486,257
2029 - 2032	510,532	6,252	516,784
Total	<u>\$ 1,478,755</u>	<u>\$ 496,801</u>	<u>\$ 1,975,556</u>

I. Lease Agreement

The HRA, operating under a shared services agreement with the Housing and Redevelopment Authority in and for the City of Willmar, Minnesota, (Willmar HRA) entered into a five-year lease commencing November 1, 2008, for office space with Kandiyohi County. Under the terms of the lease, the HRA and the Willmar HRA are required to make monthly lease payments to the County in the amount of \$1,767.

Under the shared services agreement with the Willmar HRA, the City of Willmar, Minnesota, the Kandiyohi HRA will pay 44 percent, and the Willmar HRA will pay 56 percent of the aforementioned lease agreement in addition to other cost-shared services. Total HRA rental expense for the year ended June 30, 2013, totaled \$23,193.

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

	<u>Amount</u>
2013	<u>\$ 7,068</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

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.

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.

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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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 15,505,981	\$ 15,505,981	\$ 14,822,676	\$ (683,305)
Special assessments	-	-	295,811	295,811
Licenses and permits	444,300	444,300	489,430	45,130
Intergovernmental	3,443,319	3,443,319	4,685,779	1,242,460
Charges for services	3,209,400	3,209,400	3,360,480	151,080
Fines and forfeits	123,500	123,500	81,966	(41,534)
Gifts and contributions	3,000	3,000	10,959	7,959
Investment earnings	120,000	120,000	(301,515)	(421,515)
Miscellaneous	731,800	731,800	1,037,599	305,799
Total Revenues	\$ 23,581,300	\$ 23,581,300	\$ 24,483,185	\$ 901,885
Expenditures				
Current				
General government				
Board of County Commissioners	\$ 382,200	\$ 382,200	\$ 302,961	\$ 79,239
Court system	35,000	35,000	11,508	23,492
Law library	81,200	81,200	54,226	26,974
County administrator	142,700	142,700	135,541	7,159
Auditor	618,400	618,400	493,844	124,556
License bureau	349,400	349,400	339,384	10,016
External audit	75,000	75,000	86,735	(11,735)
Assessor	475,200	475,200	396,549	78,651
Human resources	196,400	196,400	177,196	19,204
Data processing	671,700	671,700	799,521	(127,821)
Communications	-	-	7,405	(7,405)
Computer maintenance	-	-	18,748	(18,748)
GIS services	60,000	60,000	58,215	1,785
Elections	6,500	6,500	6,064	436
County attorney	1,254,000	1,254,000	1,251,545	2,455
County attorney's contingent	-	-	18,339	(18,339)
Recorder	422,800	422,800	420,559	2,241
County recorder's technology fund	-	-	101,748	(101,748)
Records management	70,800	70,800	69,297	1,503
Surveyor	99,100	99,100	101,021	(1,921)
Grounds maintenance building	34,300	34,300	27,055	7,245
Prairie Lakes Youth building	83,700	83,700	50,637	33,063
Courthouse	429,400	429,400	424,935	4,465
County office building	68,100	68,100	55,309	12,791
Veterans service	168,100	168,100	171,888	(3,788)
Planning and zoning	427,800	427,800	603,320	(175,520)
Other general government	822,000	822,000	1,588,387	(766,387)
Total general government	\$ 6,973,800	\$ 6,973,800	\$ 7,771,937	\$ (798,137)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$ 4,111,900	\$ 4,111,900	\$ 4,195,199	\$ (83,299)
Safe and sober grant	40,000	40,000	27,693	12,307
Snowmobile patrol	4,800	4,800	1,478	3,322
800 MHZ (ARMER) radio system	-	-	34,317	(34,317)
Dispatch center	1,345,100	1,345,100	1,258,859	86,241
Boat and water safety enforcement	44,400	44,400	50,100	(5,700)
ATV	-	-	511	(511)
DARE	-	-	500	(500)
Coroner	73,000	73,000	77,017	(4,017)
County jail	3,785,200	3,785,200	3,812,969	(27,769)
Community corrections	2,223,100	2,223,100	2,154,893	68,207
Girl's group home	-	-	5	(5)
Civil defense	217,100	217,100	259,095	(41,995)
Rescue squad	71,200	71,200	56,543	14,657
911 emergency telephone	-	-	219,312	(219,312)
Correctional facility building	755,100	755,100	721,405	33,695
Shelter house	29,600	29,600	29,600	-
Total public safety	\$ 12,700,500	\$ 12,700,500	\$ 12,899,496	\$ (198,996)
Sanitation				
Solid Waste Management	\$ -	\$ -	\$ 14	\$ (14)
Health				
Public health service	\$ 2,519,300	\$ 2,519,300	\$ 2,619,805	\$ (100,505)
Culture and recreation				
Celebrations	\$ 1,000	\$ 1,000	\$ 400	\$ 600
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	295,900	295,900	306,102	(10,202)
Snowmobile trails	-	-	73,887	(73,887)
Cross-country ski trails	-	-	4,380	(4,380)
Total culture and recreation	\$ 407,100	\$ 407,100	\$ 494,969	\$ (87,869)
Conservation of natural resources				
County extension	\$ 184,500	\$ 184,500	\$ 167,316	\$ 17,184
County extension - reimbursement programs	4,000	4,000	2,765	1,235
Soil and Water Conservation District	128,600	128,600	128,600	-
Extension programs	-	-	484	(484)
County extension youth programs	2,000	2,000	94	1,906

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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current				
Conservation of natural resources (Continued)				
Public drainage	99,200	99,200	17,337	81,863
Prairie Woods Environmental Learning Center	127,100	127,100	131,100	(4,000)
Shorelands management project	6,800	6,800	4,420	2,380
Water planning	33,600	33,600	21,320	12,280
Feedlot program	63,000	63,000	59,205	3,795
Lakes	80,400	80,400	54,211	26,189
Total conservation of natural resources	\$ 729,200	\$ 729,200	\$ 586,852	\$ 142,348
Economic development				
Tourism and economic development	\$ 13,000	\$ 13,000	\$ 4,801	\$ 8,199
Region 6E Community Action Agency	28,000	28,000	28,000	-
Total economic development	\$ 41,000	\$ 41,000	\$ 32,801	\$ 8,199
Debt service				
Principal	\$ -	\$ -	\$ 190,763	\$ (190,763)
Interest	-	-	36,968	(36,968)
Total debt service	\$ -	\$ -	\$ 227,731	\$ (227,731)
Total Expenditures	\$ 23,370,900	\$ 23,370,900	\$ 24,633,605	\$ (1,262,705)
Excess of Revenues Over (Under) Expenditures				
	\$ 210,400	\$ 210,400	\$ (150,420)	\$ (360,820)
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (13,601)	\$ (13,601)
Loans issued	-	-	219,893	219,893
Proceeds from sale of capital assets	-	-	12,030	12,030
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 218,322	\$ 218,322
Net Change in Fund Balance	\$ 210,400	\$ 210,400	\$ 67,902	\$ (142,498)
Fund Balance - January 1	12,651,862	12,651,862	12,651,862	-
Fund Balance - December 31	\$ 12,862,262	\$ 12,862,262	\$ 12,719,764	\$ (142,498)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,932,550	\$ 3,932,550	\$ 3,927,275	\$ (5,275)
Intergovernmental	6,728,450	6,728,450	6,881,565	153,115
Charges for services	400,000	400,000	1,150,860	750,860
Investment earnings	75,000	75,000	(46,430)	(121,430)
Miscellaneous	-	-	21,574	21,574
Total Revenues	\$ 11,136,000	\$ 11,136,000	\$ 11,934,844	\$ 798,844
Expenditures				
Current				
Highways and streets				
Administration	\$ -	\$ -	\$ 736,486	\$ (736,486)
Road and bridge	3,442,841	3,442,841	2,377,309	1,065,532
Construction	6,379,000	6,379,000	6,376,355	2,645
Equipment maintenance shop	679,000	679,000	1,049,753	(370,753)
Total highways and streets	\$ 10,500,841	\$ 10,500,841	\$ 10,539,903	\$ (39,062)
Intergovernmental				
Highways and streets	358,159	358,159	358,159	-
Debt service				
Principal	268,000	268,000	425,000	(157,000)
Interest	9,000	9,000	127,390	(118,390)
Administrative (fiscal) charges	-	-	1,302	(1,302)
Total Expenditures	\$ 11,136,000	\$ 11,136,000	\$ 11,451,754	\$ (315,754)
Net Change in Fund Balance	\$ -	\$ -	\$ 483,090	\$ 483,090
Fund Balance - January 1	4,337,884	4,337,884	4,337,884	-
Increase (decrease) in inventories	-	-	79,135	79,135
Fund Balance - December 31	\$ 4,337,884	\$ 4,337,884	\$ 4,900,109	\$ 562,225

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,832,632	\$ 5,832,632	\$ 5,779,350	\$ (53,282)
Intergovernmental	7,183,868	7,183,868	6,833,725	(350,143)
Charges for services	754,800	754,800	620,850	(133,950)
Miscellaneous	153,800	153,800	140,016	(13,784)
Total Revenues	<u>\$ 13,925,100</u>	<u>\$ 13,925,100</u>	<u>\$ 13,373,941</u>	<u>\$ (551,159)</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,870,900	\$ 3,870,900	\$ 4,079,547	\$ (208,647)
Social services	10,054,200	10,054,200	10,059,755	(5,555)
Total Expenditures	<u>\$ 13,925,100</u>	<u>\$ 13,925,100</u>	<u>\$ 14,139,302</u>	<u>\$ (214,202)</u>
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (765,361)	\$ (765,361)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	2,550	2,550
Net Change in Fund Balance	\$ -	\$ -	\$ (762,811)	\$ (762,811)
Fund Balance - January 1	<u>5,283,856</u>	<u>5,283,856</u>	<u>5,283,856</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 5,283,856</u>	<u>\$ 5,283,856</u>	<u>\$ 4,521,045</u>	<u>\$ (762,811)</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
SANITARY LANDFILL/RECYCLING CENTER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ -	\$ -	\$ 1,390	\$ 1,390
Intergovernmental	104,000	104,000	147,258	43,258
Charges for services	2,916,500	2,916,500	2,936,335	19,835
Investment earnings	17,000	17,000	(544,530)	(561,530)
Miscellaneous	550,000	550,000	593,776	43,776
Total Revenues	\$ 3,587,500	\$ 3,587,500	\$ 3,134,229	\$ (453,271)
Expenditures				
Current				
Sanitation				
Solid waste	<u>3,010,300</u>	<u>3,010,300</u>	<u>2,975,430</u>	<u>34,870</u>
Excess of Revenues Over (Under) Expenditures	\$ 577,200	\$ 577,200	\$ 158,799	\$ (418,401)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 13,601	\$ 13,601
Proceeds from sale of capital assets	-	-	510	510
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 14,111	\$ 14,111
Net Change in Fund Balance	\$ 577,200	\$ 577,200	\$ 172,910	\$ (404,290)
Fund Balance - January 1	10,277,537	10,277,537	10,277,537	-
Fund Balance - December 31	\$ 10,854,737	\$ 10,854,737	\$ 10,450,447	\$ (404,290)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-5

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 377,054	\$ 377,054	\$ 374,771	\$ (2,283)
Intergovernmental	20,946	20,946	28,250	7,304
Investment earnings	-	-	(74,661)	(74,661)
Miscellaneous	-	-	402,810	402,810
Total Revenues	<u>\$ 398,000</u>	<u>\$ 398,000</u>	<u>\$ 731,170</u>	<u>\$ 333,170</u>
Expenditures				
Current				
General government	\$ 210,000	\$ 210,000	\$ 519,678	\$ (309,678)
Public safety	10,000	10,000	3,842	6,158
Culture and recreation	150,000	150,000	117,676	32,324
Conservation of natural resources	28,000	28,000	28,924	(924)
Total Expenditures	<u>\$ 398,000</u>	<u>\$ 398,000</u>	<u>\$ 670,120</u>	<u>\$ (272,120)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,050</u>	<u>\$ 61,050</u>
Fund Balance - January 1	<u>5,510,719</u>	<u>5,510,719</u>	<u>5,510,719</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 5,510,719</u></u>	<u><u>\$ 5,510,719</u></u>	<u><u>\$ 5,571,769</u></u>	<u><u>\$ 61,050</u></u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$ 1,343,799	\$ 1,343,799	0.00%	\$ 19,339,847	6.95%
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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 24,633,605	\$ 23,370,900	\$ 1,262,705
Special Revenue Funds			
Road and Bridge	11,451,754	11,136,000	315,754
Human Services	14,139,302	13,925,100	214,202
County Building	670,120	398,000	272,120

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

Eagle Lake Sewer Fund - to account for funds used by the Eagle Lake sewer system. Financing is provided by 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, 2013**

	<u>Capital Equipment</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>	<u>Green Lake Sewer</u>
<u>Assets</u>				
Cash and investments	\$ 3,285,331	\$ -	\$ 259,407	\$ 1,495,789
Taxes receivable				
Prior	11,414	-	-	-
Special assessments receivable				
Prior	-	2,156	-	-
Noncurrent	-	526,464	-	-
Accounts receivable	-	798	293,820	206,638
Accrued interest receivable	53,598	985	413	-
Due from other funds	-	22,881	-	-
Due from other governments	-	215,575	-	53,741
Total Assets	\$ 3,350,343	\$ 768,859	\$ 553,640	\$ 1,756,168
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Cash overdraft	\$ -	\$ 74,513	\$ -	\$ -
Accounts payable	-	119,837	-	41,425
Salaries payable	-	-	206	23,572
Due to other funds	-	-	-	512
Due to other governments	-	-	16	7,277
Advance from other funds	-	-	-	-
Total Liabilities	\$ -	\$ 194,350	\$ 222	\$ 72,786
Deferred Inflows of Resources				
Unavailable revenue	\$ 61,610	\$ 738,492	\$ 293,768	\$ 189,529

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>
\$ 229,785	\$ 27,936	\$ 540,028	\$ 6,071	\$ -	\$ 5,844,347
6,360	-	12,241	-	-	30,015
-	-	-	-	-	2,156
-	-	-	-	-	526,464
-	-	312	-	-	501,568
-	-	-	-	-	54,996
-	-	26,583	-	-	49,464
-	951	1,044	-	-	271,311
<u>\$ 236,145</u>	<u>\$ 28,887</u>	<u>\$ 580,208</u>	<u>\$ 6,071</u>	<u>\$ -</u>	<u>\$ 7,280,321</u>
\$ -	\$ -	\$ -	\$ -	\$ 113,298	\$ 187,811
204	1,839	6,116	-	10,827	180,248
2,909	-	18,614	-	8,934	54,235
1,000	-	174	46	201	1,933
9,528	-	26,894	6,025	566	50,306
-	-	-	-	185,167	185,167
<u>\$ 13,641</u>	<u>\$ 1,839</u>	<u>\$ 51,798</u>	<u>\$ 6,071</u>	<u>\$ 318,993</u>	<u>\$ 659,700</u>
<u>\$ 4,808</u>	<u>\$ -</u>	<u>\$ 8,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,296,506</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2013**

	<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	\$ -	\$ 351,182	\$ -	\$ -
Committed to				
Purchases of capital equipment	3,288,733	-	-	-
Eagle Lake Sewer	-	-	259,650	-
Green Lake Sewer	-	-	-	1,493,853
Library operations and building maintenance	-	-	-	-
DARE program	-	-	-	-
Health and Human Services building operations and maintenance	-	-	-	-
Unassigned	-	(515,165)	-	-
Total Fund Balances	\$ 3,288,733	\$ (163,983)	\$ 259,650	\$ 1,493,853
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,350,343	\$ 768,859	\$ 553,640	\$ 1,756,168

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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 351,182
-	-	-	-	-	3,288,733
-	-	-	-	-	259,650
-	-	-	-	-	1,493,853
217,696	-	-	-	-	217,696
-	27,048	-	-	-	27,048
-	-	520,111	-	-	520,111
-	-	-	-	(318,993)	(834,158)
<u>\$ 217,696</u>	<u>\$ 27,048</u>	<u>\$ 520,111</u>	<u>\$ -</u>	<u>\$ (318,993)</u>	<u>\$ 5,324,115</u>
<u>\$ 236,145</u>	<u>\$ 28,887</u>	<u>\$ 580,208</u>	<u>\$ 6,071</u>	<u>\$ -</u>	<u>\$ 7,280,321</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, 2013**

	<u>Capital Equipment</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>	<u>Green Lake Sewer</u>
Revenues				
Taxes	\$ 665,188	\$ -	\$ -	\$ -
Special assessments	-	775,516	-	-
Intergovernmental	39,231	-	-	-
Charges for services	-	-	256,078	932,035
Fines and forfeits	-	-	-	-
Investment earnings	(171,685)	2,257	619	-
Miscellaneous	-	-	-	186,568
Total Revenues	\$ 532,734	\$ 777,773	\$ 256,697	\$ 1,118,603
Expenditures				
Current				
General government	\$ 112,799	\$ -	\$ -	\$ -
Public safety	136,297	-	-	-
Highways and streets	390,386	-	-	-
Sanitation	26,268	-	270,781	1,078,267
Culture and recreation	-	-	-	-
Conservation of natural resources	-	497,617	-	-
Intergovernmental				
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	\$ 665,750	\$ 497,617	\$ 270,781	\$ 1,078,267
Excess of Revenues Over (Under) Expenditures	\$ (133,016)	\$ 280,156	\$ (14,084)	\$ 40,336
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ 22,812
Transfers out	-	-	-	(10,203)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ 12,609
Net Change in Fund Balance	\$ (133,016)	\$ 280,156	\$ (14,084)	\$ 52,945
Fund Balance - January 1	3,421,749	(444,139)	273,734	1,440,908
Fund Balance - December 31	\$ 3,288,733	\$ (163,983)	\$ 259,650	\$ 1,493,853

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>
\$ 392,992	\$ -	\$ 772,634	\$ -	\$ -	\$ 1,830,814
-	-	-	-	-	775,516
111,082	-	45,596	-	-	195,909
-	-	-	-	-	1,188,113
-	18,902	-	-	-	18,902
-	-	-	-	-	(168,809)
35,083	-	569,069	4,106	842,042	1,636,868
\$ 539,157	\$ 18,902	\$ 1,387,299	\$ 4,106	\$ 842,042	\$ 5,477,313
\$ -	\$ -	\$ 606,640	\$ 4,106	\$ 306,472	\$ 1,030,017
-	13,008	-	-	-	149,305
-	-	-	-	-	390,386
-	-	-	-	-	1,375,316
188,158	-	-	-	-	188,158
-	-	-	-	-	497,617
352,700	-	-	-	-	352,700
-	-	-	-	359,678	359,678
-	-	-	-	117,424	117,424
\$ 540,858	\$ 13,008	\$ 606,640	\$ 4,106	\$ 783,574	\$ 4,460,601
\$ (1,701)	\$ 5,894	\$ 780,659	\$ -	\$ 58,468	\$ 1,016,712
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,812
-	-	(633,438)	-	-	(643,641)
\$ -	\$ -	\$ (633,438)	\$ -	\$ -	\$ (620,829)
\$ (1,701)	\$ 5,894	\$ 147,221	\$ -	\$ 58,468	\$ 395,883
219,397	21,154	372,890	-	(377,461)	4,928,232
\$ 217,696	\$ 27,048	\$ 520,111	\$ -	\$ (318,993)	\$ 5,324,115

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 671,876	\$ 671,876	\$ 665,188	\$ (6,688)
Intergovernmental	37,324	37,324	39,231	1,907
Investment earnings	-	-	(171,685)	(171,685)
Total Revenues	\$ 709,200	\$ 709,200	\$ 532,734	\$ (176,466)
Expenditures				
Current				
General government	\$ -	\$ -	\$ 112,799	\$ (112,799)
Public safety	-	-	136,297	(136,297)
Highways and streets	-	-	390,386	(390,386)
Sanitation	-	-	26,268	(26,268)
Total Expenditures	\$ -	\$ -	\$ 665,750	\$ (665,750)
Net Change in Fund Balance	\$ 709,200	\$ 709,200	\$ (133,016)	\$ (842,216)
Fund Balance - January 1	3,421,749	3,421,749	3,421,749	-
Fund Balance - December 31	\$ 4,130,949	\$ 4,130,949	\$ 3,288,733	\$ (842,216)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
GREEN LAKE SEWER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 1,024,518	\$ 1,024,518	\$ 932,035	\$ (92,483)
Miscellaneous	178,800	178,800	186,568	7,768
Total Revenues	\$ 1,203,318	\$ 1,203,318	\$ 1,118,603	\$ (84,715)
Expenditures				
Current				
Sanitation	1,101,100	1,101,100	1,078,267	22,833
Excess of Revenues Over (Under) Expenditures	\$ 102,218	\$ 102,218	\$ 40,336	\$ (61,882)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 22,812	\$ 22,812
Transfers out	-	-	(10,203)	(10,203)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 12,609	\$ 12,609
Net Change in Fund Balance	\$ 102,218	\$ 102,218	\$ 52,945	\$ (49,273)
Fund Balance - January 1	1,440,908	1,440,908	1,440,908	-
Fund Balance - December 31	\$ 1,543,126	\$ 1,543,126	\$ 1,493,853	\$ (49,273)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
COUNTY LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 395,812	\$ 395,812	\$ 392,992	\$ (2,820)
Intergovernmental	119,488	119,488	111,082	(8,406)
Miscellaneous	35,000	35,000	35,083	83
Total Revenues	\$ 550,300	\$ 550,300	\$ 539,157	\$ (11,143)
Expenditures				
Current				
Culture and recreation	\$ 197,600	\$ 197,600	\$ 188,158	\$ 9,442
Intergovernmental				
Culture and recreation	352,700	352,700	352,700	-
Total Expenditures	\$ 550,300	\$ 550,300	\$ 540,858	\$ 9,442
Net Change in Fund Balance	\$ -	\$ -	\$ (1,701)	\$ (1,701)
Fund Balance - January 1	219,397	219,397	219,397	-
Fund Balance - December 31	\$ 219,397	\$ 219,397	\$ 217,696	\$ (1,701)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT B-6

**BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 780,918	\$ 780,918	\$ 772,634	\$ (8,284)
Intergovernmental	43,382	43,382	45,596	2,214
Miscellaneous	501,600	501,600	569,069	67,469
Total Revenues	\$ 1,325,900	\$ 1,325,900	\$ 1,387,299	\$ 61,399
Expenditures				
Current				
General government	1,325,900	1,325,900	606,640	719,260
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 780,659	\$ 780,659
Other Financing Sources (Uses)				
Transfers out	-	-	(633,438)	(633,438)
Net Change in Fund Balance	\$ -	\$ -	\$ 147,221	\$ 147,221
Fund Balance - January 1	372,890	372,890	372,890	-
Fund Balance - December 31	\$ 372,890	\$ 372,890	\$ 520,111	\$ 147,221

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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, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<u>Assets</u>				
Cash and investments	\$ 1,524,620	\$ 48,184,621	\$ 48,415,693	\$ 1,293,548
Due from other governments	-	346	-	346
	\$ 1,524,620	\$ 48,184,967	\$ 48,415,693	\$ 1,293,894
Total Assets	\$ 1,524,620	\$ 48,184,967	\$ 48,415,693	\$ 1,293,894
<u>Liabilities</u>				
Due to other governments	\$ 1,524,620	\$ 48,184,967	\$ 48,415,693	\$ 1,293,894

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OTHER SCHEDULES

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2013**

	Assets						
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable		Accounts Receivable	Due from Other Funds	Due from Other Governments
			Delinquent	Deferred			
County Ditches							
#1	\$ -	\$ -	\$ 47	\$ -	\$ -	\$ -	\$ -
#4 M & K	(1,678)	-	-	-	-	-	-
#7	10,073	-	-	31	-	-	-
#7 Rep D	7,509	-	-	-	-	-	-
#8	(6,778)	-	237	14,866	-	87	233
#8A	(11,655)	-	-	8,240	-	1,624	1,809
#8 Lat A	(42)	-	-	85	-	-	10
#8 Lat B	(39)	-	-	64	-	8	1
#9	17,584	-	-	-	-	-	-
#9 Lat 1 Br A	22,675	-	-	-	-	-	-
#10 Impr C	18,309	-	61	-	-	-	149
#12	(38,143)	-	-	32,984	62	1,565	5,731
#15	(1,869)	-	-	1,969	-	-	-
#16A	464	-	-	13,049	-	1,431	2,236
#18A	398	-	-	4,841	-	378	1,467
#19	(2,434)	-	-	18,126	-	297	2,925
#20	405	-	24	196	2	7	-
#23A	(179,956)	-	-	86,197	250	1,883	117,549
#24A	(7,599)	-	16	22,427	4	1,952	5,168
#24A Lat G	1,046	-	-	-	-	-	-
#24A Lat H	2,043	-	-	89	-	-	-
#24A Lat H-1	895	-	-	154	-	-	-
#24A Lat J	579	-	-	-	-	-	-
#26	(51,441)	-	-	15,295	-	765	-
#27	(13,955)	-	9	21,066	-	265	147
#28	(14,233)	-	44	15,718	-	1,511	299
#28 Impr Br 7	705	-	-	-	-	-	-
#28 Lat A Br 4	7,283	-	-	-	-	-	-
#28 Impr Br 5	119	-	-	-	-	-	-
#29	(5,220)	-	-	7,511	-	110	172
#31 Impr	(87,177)	125,704	-	-	-	-	-
#31 Lat A of Br 10 of Lat 10	(374)	-	-	67	-	6	-
#31 Lat A of Br 2 of Lat 10	11,304	-	-	-	-	-	-
#34	967	-	-	473	-	-	25
#37	4,714	-	621	33	-	-	-
#38	(931)	-	25	3,610	-	31	79
#40	700	-	-	29	-	-	-
#42	253	-	-	-	-	-	-
#45	(978)	-	-	1,669	-	-	-
#46	(11,212)	-	-	20,939	220	981	24,341
#47	(2,166)	-	458	11,197	60	209	416
#48	2,437	-	69	-	-	-	-
#50	858	-	-	-	-	-	-
#51	1,112	-	4	9,353	-	104	168
#51 Lat A-1	(543)	-	1	-	-	-	-
#52	(11,180)	-	-	17,223	-	883	559
#52 Lat A	(28,271)	-	-	-	-	-	-
#54	487	-	-	1,787	-	-	-
#54 Impr	25,142	-	-	-	-	-	-
#55	148	-	89	-	-	-	-

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	
\$ 47	\$ -	\$ 47	\$ -	\$ -	\$ -	\$ 47
(1,678)	-	-	-	(1,678)	(1,678)	(1,678)
10,104	-	31	10,073	-	10,073	10,104
7,509	-	-	7,509	-	7,509	7,509
8,645	-	15,423	-	(6,778)	(6,778)	8,645
18	-	11,673	-	(11,655)	(11,655)	18
53	-	95	-	(42)	(42)	53
34	-	73	-	(39)	(39)	34
17,584	-	-	17,584	-	17,584	17,584
22,675	-	-	22,675	-	22,675	22,675
18,519	206	210	18,103	-	18,103	18,519
2,199	-	40,342	-	(38,143)	(38,143)	2,199
100	-	1,969	-	(1,869)	(1,869)	100
17,180	1,816	16,716	-	(1,352)	(1,352)	17,180
7,084	840	6,686	-	(442)	(442)	7,084
18,914	52	21,348	-	(2,486)	(2,486)	18,914
634	-	205	429	-	429	634
25,923	2,726	205,879	-	(182,682)	(182,682)	25,923
21,968	1,859	29,560	-	(9,451)	(9,451)	21,968
1,046	-	-	1,046	-	1,046	1,046
2,132	548	89	1,495	-	1,495	2,132
1,049	-	154	895	-	895	1,049
579	-	-	579	-	579	579
(35,381)	-	16,060	-	(51,441)	(51,441)	(35,381)
7,532	-	21,478	-	(13,946)	(13,946)	7,532
3,339	-	17,528	-	(14,189)	(14,189)	3,339
705	-	-	705	-	705	705
7,283	-	-	7,283	-	7,283	7,283
119	-	-	119	-	119	119
2,573	-	7,793	-	(5,220)	(5,220)	2,573
38,527	10,685	704	27,138	-	27,138	38,527
(301)	-	73	-	(374)	(374)	(301)
11,304	-	-	11,304	-	11,304	11,304
1,465	152	498	815	-	815	1,465
5,368	-	628	4,740	-	4,740	5,368
2,814	-	3,745	-	(931)	(931)	2,814
729	-	29	700	-	700	729
253	-	-	253	-	253	253
691	-	1,669	-	(978)	(978)	691
35,269	-	46,481	-	(11,212)	(11,212)	35,269
10,174	426	12,340	-	(2,592)	(2,592)	10,174
2,506	-	69	2,437	-	2,437	2,506
858	-	-	858	-	858	858
10,741	3,785	9,625	-	(2,669)	(2,669)	10,741
(542)	-	-	-	(542)	(542)	(542)
7,485	2,614	18,665	-	(13,794)	(13,794)	7,485
(28,271)	3,511	-	-	(31,782)	(31,782)	(28,271)
2,274	-	1,787	487	-	487	2,274
25,142	-	-	25,142	-	25,142	25,142
237	-	89	148	-	148	237

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2013**

	Assets						
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable		Accounts Receivable	Due from Other Funds	Due from Other Governments
			Delinquent	Deferred			
#56	3,696	-	-	-	-	-	-
#58	1,690	-	-	-	-	-	760
#60	216	-	-	10,630	-	188	797
#61	660	-	-	995	-	51	-
#62	(236)	-	-	462	-	24	10
#63	1,920	-	7	-	-	-	-
#64	3,769	-	-	7,545	-	253	47
#65	32	-	-	1,879	-	-	16
State Ditch							
#1 Impr Div 2	810	-	-	867	-	48	12
Judicial Ditches							
#1 M & K (Rep F)	12,607	-	94	9,275	-	154	2,551
#1 Lat A, M & K	456	-	1	434	-	1	47
#1 Lat, M & K	29,025	-	-	52,210	-	-	-
#1 Lat B, M & K	1,700	-	-	2	-	-	14
#1 Lat A of Lat B, M & K	1,441	-	-	-	-	-	-
#1 Br 4 of Lat B, M & K	1,516	-	-	-	-	-	-
#1 Lat C, M & K	1,171	-	-	-	-	-	-
#1 Lat D, M & K	383	-	-	-	-	-	-
#1 Lat E, M & K	1,834	-	-	-	-	-	-
#1 Br 2 of Lat F, M & K	947	-	-	-	-	-	7
#1 Lat G, M & K	1,319	-	-	-	-	-	-
#2 R & K	3,295	-	-	-	-	-	586
#2 Lat 3, R & K	1,025	-	-	-	-	-	14
#2 Lat 4, R & K	908	-	-	24	-	-	7
#2 Lat A of Lat 4, R & K	646	-	-	-	-	-	-
#2 Lat 5, R & K	1,588	-	-	-	-	-	-
#2 Lat 7, R & K	22	-	-	-	-	-	-
#2 Lat 8, R & K	717	-	-	-	-	-	-
#2 C & K	5,177	-	-	3,144	21	57	547
#2 St & K	211	-	-	-	-	54	-
#3 Lat B, K & C	1,132	-	-	2,030	-	84	107
#3 Lat A of Lat B, K & C	1,294	-	-	5,917	-	206	564
#3 Lat C, C & K	259	-	-	8,022	-	278	177
#3 Lat D, C & K	32,333	50,281	-	-	-	-	11
#3 Impr Br 5 & 6, C & K	2,349	-	-	2,951	-	108	-
#3 Impr Br 7 & 8, C & K	621	-	-	736	-	-	54
#3 Impr Br 9, C & K	1,680	-	-	-	-	-	-
#3 Impr Br 10, C & K	83	-	-	1	-	-	12
#3 Br 10 of Lat A, C & K	424	-	-	24	-	-	4
#3 St & K	366	-	95	77	-	-	441
#3 Rep A, St & K	2,047	-	-	-	-	-	-
#7 C, K & R (& Rep F)	(7,936)	-	121	11,744	78	1,327	17,901
#7 Lat A, C, K & R	8,746	-	133	13,602	-	1,372	1,765
#7 Lat B, C, K & R	534	-	-	3	-	-	165
#7 Lat E, C, K & R	2,790	-	-	-	-	-	134
#10 R & K	(17)	-	-	-	-	-	-
#11 K & M R/B	(42,457)	-	-	32,673	-	3,129	1,280
#16 R & K	4,914	-	-	102	-	-	4,696

EXHIBIT D-1
(Continued)

Total Assets	Liabilities		Fund Balance			Total Liabilities, Deferred Inflows of Resources, and Fund Balances
	Accounts Payables	Deferred Inflows of Resources Unavailable Revenue	Restricted for Ditch Maintenance and Repairs	Unassigned	Total Fund Balances	
3,696	46	-	3,650	-	3,650	3,696
2,450	-	760	1,690	-	1,690	2,450
11,831	-	11,615	216	-	216	11,831
1,706	232	1,046	428	-	428	1,706
260	-	496	-	(236)	(236)	260
1,927	-	-	1,927	-	1,927	1,927
11,614	5,919	7,845	-	(2,150)	(2,150)	11,614
1,927	1,500	1,895	-	(1,468)	(1,468)	1,927
1,737	-	927	810	-	810	1,737
24,681	1,671	10,668	12,342	-	12,342	24,681
939	-	482	457	-	457	939
81,235	-	52,210	29,025	-	29,025	81,235
1,716	-	2	1,714	-	1,714	1,716
1,441	-	-	1,441	-	1,441	1,441
1,516	-	-	1,516	-	1,516	1,516
1,171	-	-	1,171	-	1,171	1,171
383	-	-	383	-	383	383
1,834	-	-	1,834	-	1,834	1,834
954	-	7	947	-	947	954
1,319	-	-	1,319	-	1,319	1,319
3,881	-	-	3,881	-	3,881	3,881
1,039	-	-	1,039	-	1,039	1,039
939	-	24	915	-	915	939
646	-	-	646	-	646	646
1,588	-	-	1,588	-	1,588	1,588
22	-	-	22	-	22	22
717	-	-	717	-	717	717
8,946	-	3,309	5,637	-	5,637	8,946
265	-	54	211	-	211	265
3,353	2,511	2,221	-	(1,379)	(1,379)	3,353
7,981	1,323	6,687	-	(29)	(29)	7,981
8,736	1,458	8,452	-	(1,174)	(1,174)	8,736
82,625	5,699	281	76,645	-	76,645	82,625
5,408	2,745	3,059	-	(396)	(396)	5,408
1,411	-	790	621	-	621	1,411
1,680	-	-	1,680	-	1,680	1,680
96	-	1	95	-	95	96
452	-	24	428	-	428	452
979	-	78	901	-	901	979
2,047	-	-	2,047	-	2,047	2,047
23,235	9,299	27,282	-	(13,346)	(13,346)	23,235
25,618	18,098	16,373	-	(8,853)	(8,853)	25,618
702	-	3	699	-	699	702
2,924	-	-	2,924	-	2,924	2,924
(17)	-	-	-	(17)	(17)	(17)
(5,375)	142	36,452	-	(41,969)	(41,969)	(5,375)
9,712	26,682	1,148	-	(18,118)	(18,118)	9,712

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2013**

	Assets						
	Treasurer's Cash	Investments and Accrued Interest	Special Assessments Receivable		Accounts Receivable	Due from Other Funds	Due from Other Governments
	Balance	Interest	Delinquent	Deferred	Receivable	Funds	Governments
#17 M & K	11,120	-	-	1,317	-	-	62
#17 Rep A, M & K	3,461	-	-	-	-	-	714
#17 Br 4 of Lat A, M & K	461	-	-	-	-	-	-
#17 Br 4 of Lat B, M & K	6,600	-	-	-	-	-	-
#18 Sw, K & C	(11,172)	-	-	5,983	101	618	3,312
#18 M & K	2,395	-	-	-	-	-	-
#18 Lat A, M & K	4,673	-	-	5,308	-	105	184
#18 Lat C, M & K	(16,445)	-	-	17,545	-	558	13,638
#19 Sw & K	3	-	-	170	-	-	88
#21 R, C & K	249	-	-	-	-	-	-
#21 Sw, K & C	(1,091)	-	-	1,502	-	169	1,338
#29 Rep B, R, M & K	(73)	-	-	2	-	-	29
Rinke Noonan Attorney	2,264	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total	\$ (249,513)	\$ 175,985	\$ 2,156	\$ 526,464	\$ 798	\$ 22,881	\$ 215,575

EXHIBIT D-1
(Continued)

<u>Total Assets</u>	<u>Liabilities</u>	<u>Deferred Inflows of Resources</u>	<u>Fund Balance</u>			<u>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</u>
	<u>Accounts Payables</u>		<u>Unavailable Revenue</u>	<u>Restricted for Ditch Maintenance and Repairs</u>	<u>Unassigned</u>	
12,499	530	1,316	10,653	-	10,653	12,499
4,175	-	-	4,175	-	4,175	4,175
461	-	-	461	-	461	461
6,600	-	-	6,600	-	6,600	6,600
(1,158)	2,407	7,474	-	(11,039)	(11,039)	(1,158)
2,395	36	-	2,359	-	2,359	2,395
10,270	9,430	5,597	-	(4,757)	(4,757)	10,270
15,296	889	18,310	-	(3,903)	(3,903)	15,296
261	-	170	91	-	91	261
249	-	-	249	-	249	249
1,918	-	1,671	247	-	247	1,918
(42)	-	2	-	(44)	(44)	(42)
2,264	-	-	2,264	-	2,264	2,264
<u>\$ 694,346</u>	<u>\$ 119,837</u>	<u>\$ 738,492</u>	<u>\$ 351,182</u>	<u>\$ (515,165)</u>	<u>\$ (163,983)</u>	<u>\$ 694,346</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Total Primary Government	Housing and Redevelopment Authority Component Unit
	<u> </u>	<u> </u>
Shared Revenue		
State		
Highway users tax	\$ 5,897,528	\$ -
County program aid	1,482,799	-
Market value credit	221,571	-
PERA rate reimbursement	73,608	-
Disparity reduction aid	20,103	-
Police aid	237,662	-
Enhanced 911	122,728	-
Local performance aid	5,924	-
	<u>8,061,923</u>	<u>-</u>
Total shared revenue	\$ 8,061,923	\$ -
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 1,321,876	\$ -
	<u>1,321,876</u>	<u>-</u>
Payments		
Local		
Payments in lieu of taxes	\$ 521,889	\$ -
Local	133,601	-
	<u>655,490</u>	<u>-</u>
Total payments	\$ 655,490	\$ -
Grants		
State		
Minnesota Department/Board of		
Public Safety	\$ 1,094	\$ -
Health	269,280	-
Natural Resources	125,512	-
Human Services	2,536,049	-
Veterans Affairs	10,000	-
Corrections	724,247	-
Water and Soil Resources	222,285	-
Peace Officer Standards and Training Board	10,936	-
Pollution Control Agency	141,152	-
	<u>4,040,555</u>	<u>-</u>
Total state	\$ 4,040,555	\$ -

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Total Primary Government	Housing and Redevelopment Authority Component Unit
	<u> </u>	<u> </u>
Grants (Continued)		
Federal		
Department of		
Agriculture	\$ 605,682	\$ -
Housing and Urban Development	-	1,220,088
Justice	12,340	-
Transportation	829,778	-
Health and Human Services	3,214,300	-
Homeland Security	33,728	-
	<u> </u>	<u> </u>
Total federal	\$ 4,695,828	\$ 1,220,088
	<u> </u>	<u> </u>
Total state and federal grants	\$ 8,736,383	\$ 1,220,088
	<u> </u>	<u> </u>
Total Intergovernmental Revenue	\$ 18,775,672	\$ 1,220,088
	<u> </u>	<u> </u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 Minnesota Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	298,216
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>296,374</u>
Total U.S. Department of Agriculture		<u>\$ 606,932</u>
U.S. Department of Justice		
Direct		
State Criminal Alien Assistance Program	16.606	<u>\$ 12,340</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	\$ 757,242
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	59,767
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>12,769</u>
Total U.S. Department of Transportation		<u>\$ 829,778</u>
U.S. Department of Health and Human Services		
Direct		
Drug-Free Communities Support Program Grants	93.276	\$ 132,254
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	29,001
Universal Newborn Hearing Screening	93.251	225
Immunization Cooperative Agreements	93.268	3,900
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	75
Temporary Assistance for Needy Families	93.558	108,433
(Total Temporary Assistance for Needy Families 93.558 \$612,603)		
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	72,356
Maternal and Child Health Services Block Grant to the States	93.994	52,164

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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	11,158
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$612,603)	93.558	504,170
Child Support Enforcement	93.563	847,441
Refugee and Entrant Assistance - State-Administered Programs	93.566	582
Child Care and Development Block Grant	93.575	25,613
Community-Based Child Abuse Prevention Grants	93.590	15,378
Stephanie Tubbs Jones Child Welfare Services Program	93.645	5,579
Foster Care - Title IV-E	93.658	337,484
Social Services Block Grant	93.667	315,542
Chafee Foster Care Independence Program	93.674	9,225
Children's Health Insurance Program	93.767	111
Medical Assistance Program	93.778	1,077,627
Block Grants for Community Mental Health Services	93.958	63,323
Total U.S. Department of Health and Human Services		\$ 3,611,641
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 5,125
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grants	97.039	8,608
Homeland Security Grant Program	97.067	19,995
Total U.S. Department of Homeland Security		\$ 33,728
Total Federal Awards		\$ 5,094,419

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 \$1,282,102 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, 2013. 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	\$ 4,695,828
Grants received more than 60 days after year-end, unavailable in 2013	
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	\$ 5,094,419

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2013.

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **No**
- 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:

Highway Planning and Construction	CFDA #20.205
Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement	CFDA #93.563
Foster Care - Title IV-E	CFDA #93.658

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

Kandiyohi County 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 Kandiyo 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 that 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.

PREVIOUSLY REPORTED ITEMS RESOLVED

Audit Adjustments (2006-001)

During our previous audit, we identified material adjustments that were proposed and recorded. These adjustments resulted in significant changes to the County's financial statements.

Resolution

The County implemented internal controls to eliminate material audit adjustments during the current year.

Bank Reconciliations (2012-001)

During our review of the bank reconciliations in the previous audit, it was noted that the person performing the reconciliations did not note the date as to when they were performed. It was also noted that no one other than the person preparing the reconciliations was reviewing them for accuracy and reasonableness.

Resolution

The County has implemented a procedure where the preparer signs and dates the reconciliations when completed and a supervisor signs and dates after reviewing for accuracy and reasonableness.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEMS RESOLVED

Davis-Bacon Act - Highway Planning and Construction (CFDA No. 20.205) (2012-002)

During our audit of the Davis-Bacon Act requirements in the previous audit, it was noted that the County was missing several weeks of certified payrolls. In addition, the County could not provide support to verify that it had received every week of payroll for two subcontractors that either did not perform work on-site or did not work during normal business hours.

Resolution

The County staff that review the payroll are now receiving a copy of the weekly diary each week to check against the master list of payroll received and will notify the prime contractor the same day if any payroll is missing.

**Reporting - Temporary Assistance for Needy Families (CFDA No. 93.558),
Emergency Contingency Fund for TANF State Program - ARRA (CFDA
No. 93.714), and Child Support Enforcement (CFDA No. 93.563) (2012-003)**

During our review in the previous audit of the Income Maintenance Quarterly Expense Report (DHS-2550) and the MFIP - Consolidated Fund Support Services (DHS-2902) report, the first and second quarter reports of both could not be located; thus, we were unable to determine if they were properly approved. Also, the hard copies of the third and fourth quarter DHS-2550 reports were missing at least one of the required signatures (preparer and reviewer). The County is required to print and maintain a signed copy of the report for three years.

Resolution

The County now prints and retains the original signed copies of both reports with the intention of keeping them for at least three years.

**Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Child
Support Enforcement (CFDA No. 93.563) (2012-004)**

Based on our testing of internal control over disbursements in the previous audit, we noted 17 out of 40 disbursements tested did not have evidence indicating a secondary approval by a supervisor or Director.

Resolution

The County has purchased an electronic payable system that has automated its entire payable process. Supervisors and/or staff in the Health and Human Services Office are now required to approve payments via an invoice approval portal.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-001

Cash Balance Deficits

Criteria: As stated in Minn. Stat. § 385.04, payment of expenditures may be made only if money is available in the fund for that purpose. As provided by Minn. Stat. § 385.32, temporary fund transfers may be made with the approval of the County Board and County Auditor/Treasurer. The County Board has oversight responsibilities for the property, funds, and business of the County. The

Board should be notified if a fund does not have sufficient money available to cover expenditures so that it can provide temporary or permanent resources as needed for the fund.

Condition: At December 31, 2013, the Regional Treatment Center Special Revenue Fund had a deficit cash balance of \$113,298, and the Ditch Special Revenue Fund had a deficit cash balance of \$74,513.

Context: When the County allows disbursements from a fund that causes or already has a cash balance deficit, cash from other County funds to cover the disbursement is borrowed interest-free.

Effect: Allowing payment of expenditures from the Regional Treatment Center Special Revenue Fund and the Ditch Special Revenue Fund when cash balances were not available resulted in deficit cash balances in these funds, which is inconsistent with Minn. Stat. § 385.04.

Cause: Expenditures in both funds were necessary. The Ditch Special Revenue Fund did not have sufficient resources to cover expenditures as ditch levies were not sufficient to cover the ditch work performed. Temporary transfers as allowed by Minn. Stat. § 385.32 were not approved by the Board and the County Auditor/Treasurer.

Recommendation: We recommend the County borrow from another fund when the cash balances are so low as to cause the fund to have a cash deficit when a payment is made from that fund.

Client's Response:

The Kandiyohi County Board of Commissioners will review the status of the Regional Treatment Center Special Revenue Fund and the Ditch Special Revenue Fund, and if necessary, an interfund transfer will be made in October 2014.

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: Thirty of the 109 individual ditch systems had deficit cash balances totaling \$470,124 at December 31, 2013. This amount decreased from the prior year when 46 of the 111 individual ditch systems had deficit cash balances totaling \$715,402.

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 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 2014, one-year ditch repair liens will be levied.

PREVIOUSLY REPORTED ITEM RESOLVED

Traffic Safety Course (2009-002)

In prior audits, we questioned the legal authority for the County's Traffic Safety Course.

Resolution

The County suspended its Traffic Safety Course in January 2014.

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: Forty-one of the 109 individual ditch systems had deficit fund balances totaling \$515,165 at December 31, 2013. This amount decreased from the prior year when 48 of the 111 individual ditch systems had deficit fund balances totaling \$767,869.

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 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 2014, one-year ditch repair liens will be levied.

PREVIOUSLY REPORTED ITEM RESOLVED

Refunding Debt (2012-005)

During 2012, the County issued refunding bonds. Part of the proceeds were to be used to redeem outstanding principal on the Minnesota Public Facilities Authority (MPFA) Loan. During audit procedures, it was noted that the County did not redeem these loans until August 6, 2013, which was more than a year after the refunding bonds were issued.

Resolution

The County immediately corrected the error when it was discovered.



REBECCA OTTO
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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

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, 2013, 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 29, 2014. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Kandiyohi County Housing and Redevelopment Authority (HRA) for the year ended June 30, 2013, as described in our report on Kandiyohi County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit 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.

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. 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 the attention of those charged with governance.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 1996-008, that we consider to be a significant deficiency.

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 items 1996-001 and 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. We believe this recommendation to be of benefit to the County, and it is 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 29, 2014

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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

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, 2013. 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 \$1,282,102 in federal awards during the year ended June 30, 2013, 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, 2013.

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
STATE AUDITOR

September 29, 2014

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR