

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

**YEAR ENDED DECEMBER 31, 2015**

## **Description of the Office of the State Auditor**

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

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

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

**Pension** - monitors investment, financial, and actuarial reporting for approximately 700 public pension funds; and

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

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

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**Year Ended December 31, 2015**



**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  
2015

Office	Name	Term of Office	
		From	To
<b>Commissioners</b>			
1st District	Jim Butterfield*	January 2015	January 2019
2nd District	Doug Reese	January 2013	January 2017
3rd District	Roland Nissen	January 2015	January 2019
4th District	Roger Imdieke**	January 2013	January 2017
5th District	Harlan Madsen	January 2013	January 2017
<b>Officers</b>			
<b>Elected</b>			
Attorney	Shane Baker	January 2015	January 2019
Sheriff	Dan Hartog	January 2015	January 2019
<b>Appointed</b>			
Administrator	Larry Kleindl		Indefinite
Assessor	Valora Svor	November 2013	November 2017
Auditor/Treasurer	Mark Thompson		Indefinite
Recorder	Julie Kalkbrenner		Indefinite
Registrar of Titles	Julie Kalkbrenner		Indefinite
Examiner of Titles	Brad Schmidt		Indefinite
Public Works Director	Melvin Odens	September 2015	September 2019
Veterans Service Officer	Trisha Appledorn	January 2015	January 2019
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

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Kandiyohi County  
Willmar, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County, Minnesota, as of and for the year ended December 31, 2015, including the Kandiyohi County Housing and Redevelopment Authority (HRA) as of and for the year ended June 30, 2015, 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 related 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 from 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, 2015, including the Kandiyohi County HRA as of June 30, 2015, 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.E. to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change 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 8, 2016, 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 the Uniform Guidance**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kandiyohi County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA 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 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 8, 2016

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015  
(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, 2015. 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 \$170,804,470 of which \$124,114,041 is the net investment in capital assets, and \$16,131,617 is restricted to specific purposes.
- Kandiyohi County's net position increased by \$9,850,207 for the year ended December 31, 2015, after the restatement for Governmental Accounting Standards Board (GASB) Statement 68, 71, and 82. Additional information about the restatement can be found in Note 1.E. The net position of the County's discretely presented component unit increased by \$4,129,752.
- The net cost of governmental activities was \$25,772,582 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$35,622,789.
- Governmental funds' net change in fund balances was a decrease of \$2,362,532.

**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 deferred outflows of resources and liabilities and deferred inflows of resources--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 \$170,804,470 on December 31, 2015. (See Table A-1.)

**Table A-1**  
**Net Position**

	Governmental Activities		Percent (%) Change
	2015	2014	
<b>Assets</b>			
Current and other assets	\$ 80,905,685	\$ 85,844,001	(5.8)
Capital assets	163,101,136	160,965,308	1.3
<b>Total Assets</b>	<b>\$ 244,006,821</b>	<b>\$ 246,809,309</b>	<b>(1.1)</b>
<b>Deferred Outflows of Resources</b>			
Deferred pension outflows	\$ 3,116,664	\$ -	100.0
<b>Liabilities</b>			
Current liabilities	\$ 3,100,303	\$ 4,931,980	(37.1)
Long-term liabilities	70,564,572	64,044,654	10.2
<b>Total Liabilities</b>	<b>\$ 73,664,875</b>	<b>\$ 68,976,634</b>	<b>6.8</b>
<b>Deferred Inflows of Resources</b>			
Advance from other governments	215,966	-	100.0
Deferred pension inflows	\$ 2,438,174	\$ -	100.0
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,654,140</b>	<b>\$ -</b>	<b>100.0</b>

(Unaudited)

Page 7

	Governmental Activities		Percent (%) Change
	2015	2014	
Net Position			
Net investment in capital assets	\$ 124,114,041	\$ 116,928,096	6.1
Restricted	16,131,617	21,369,882	(24.5)
Unrestricted	30,558,812	39,534,697	(22.7)
Total Net Position, as reported	\$ 170,804,470	\$ 177,832,675	(4.0)
Change in accounting principle*		(16,878,412)	
Total Net Position, as restated		\$ 160,954,263	

\*This is the first year the County implemented the new pension accounting and financial reporting standards, GASB Statements 68, 71, and 82. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

## Changes in Net Position

The County-wide total revenues were \$73,422,453 for the year ended December 31, 2015. Taxes and intergovernmental revenues accounted for 73.2 percent of total revenues for the year. (See Figures A-3 and A-4.)

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

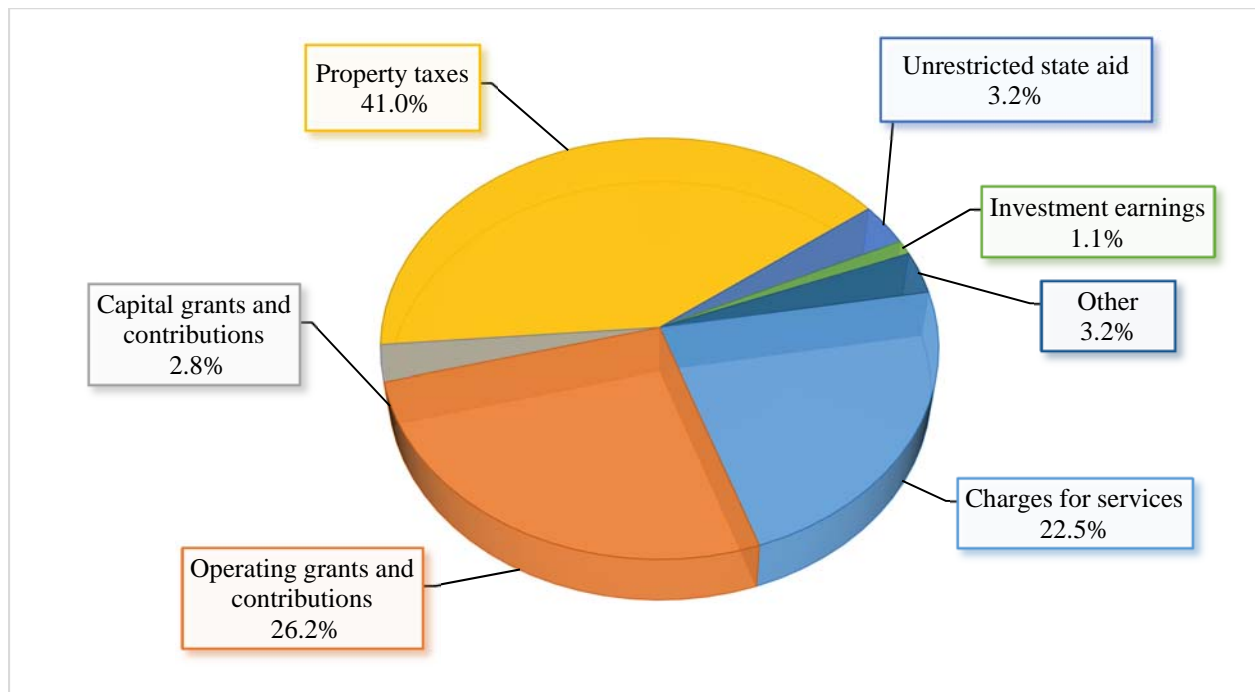
	Governmental Activities for Fiscal Year Ended December 31		Total Percent (%) Change
	2015	2014	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 16,518,807	\$ 15,237,078	8.4
Operating grants and contributions	19,222,561	17,216,747	11.7
Capital grants and contributions	2,058,296	177,059	1,062.5
General revenues			
Taxes	30,087,278	29,439,891	2.2
Unrestricted state aid	2,377,474	2,264,526	5.0
Investment earnings	788,740	1,624,859	(51.5)
Other	2,369,297	2,334,634	1.5
Total Revenues	\$ 73,422,453	\$ 68,294,794	7.5



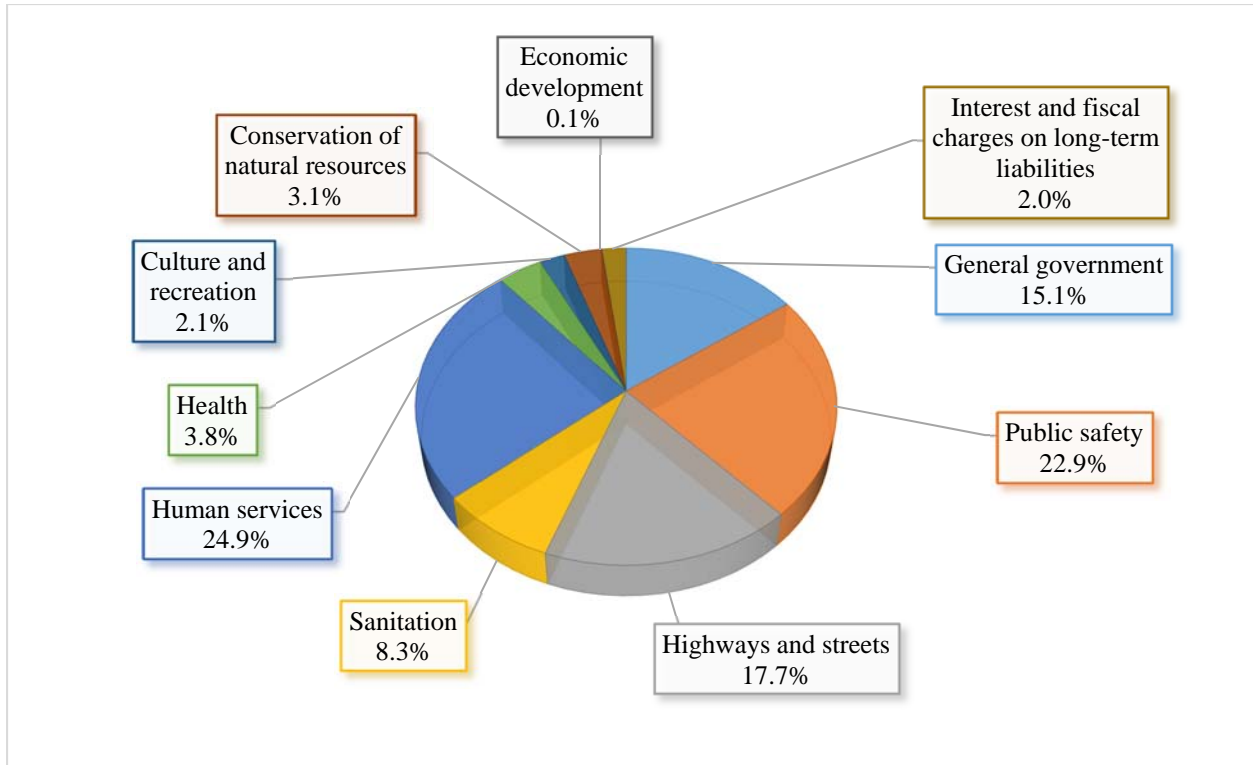
	Governmental Activities for Fiscal Year Ended December 31		Total Percent (%) Change
	2015	2014	
Expenses			
General government	\$ 9,581,553	\$ 9,443,836	1.5
Public safety	14,560,668	14,020,608	3.9
Highways and streets	11,263,851	10,667,325	5.6
Sanitation	5,267,419	4,619,166	14.0
Human services	15,797,473	14,901,825	6.0
Health	2,414,751	2,282,762	5.8
Culture and recreation	1,356,345	1,071,324	26.6
Conservation of natural resources	1,998,859	1,642,070	21.7
Economic development	32,336	31,852	1.5
Interest	1,298,991	1,780,374	(27.0)
<b>Total Expenses</b>	<b>\$ 63,572,246</b>	<b>\$ 60,461,142</b>	<b>5.1</b>
Increase in Net Position	\$ 9,850,207	\$ 7,833,652	
Beginning Net Position, as restated*	160,954,263	169,999,023	
Ending Net Position, as reported	\$ 170,804,470	\$ 177,832,675	

\*Amount includes a change in accounting principle.

**Figure A-3  
Sources of County Revenues for Fiscal Year 2015**



**Figure A-4  
Sources of County Expenses for Fiscal Year 2015**



Total revenues surpassed expenses, increasing net position \$9,850,207 over last year.

The County-wide cost of all governmental activities this year was \$63,572,246.

- Some of the cost was paid by the users of the County’s programs (\$16,518,807).
- The federal and state governments subsidized certain programs with grants and contributions (\$21,280,857).
- Some of the County’s costs (\$25,772,582), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$29,525,733 in property taxes; and \$6,097,056 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
	2015	2014		2015	2014	
General government	\$ 9,581,553	\$ 9,443,836	1.5	\$ 7,022,316	\$ 7,007,502	0.2
Public safety	14,560,668	14,020,608	3.9	10,625,347	10,953,771	(3.0)
Highways and streets	11,263,851	10,667,325	5.6	1,889,344	3,174,380	(40.5)
Sanitation	5,267,419	4,619,166	14.0	(2,765,521)	(3,170,976)	(12.8)
Human services	15,797,473	14,901,825	6.0	6,106,005	6,532,647	(6.5)
Health	2,414,751	2,282,762	5.8	643,867	533,082	20.8
Culture and recreation	1,356,345	1,071,324	26.6	954,884	666,992	43.2
Conservation of natural resources	1,998,859	1,642,070	21.7	(34,987)	320,634	(110.9)
Economic development	32,336	31,852	1.5	32,336	31,852	1.5
Interest	1,298,991	1,780,374	(27.0)	1,298,991	1,780,374	(27.0)
<b>Total</b>	<b>\$ 63,572,246</b>	<b>\$ 60,461,142</b>	<b>5.1</b>	<b>\$ 25,772,582</b>	<b>\$ 27,830,258</b>	<b>(7.4)</b>

## FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$60,633,890.

Revenues for the County’s governmental funds were \$74,425,175, while total expenditures were \$77,090,276. During 2015, 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	
	2015	2014	Increase (Decrease)	Percent (%)
Taxes	\$ 15,166,911	\$ 15,188,735	\$ (21,824)	(0.1)
Intergovernmental	5,399,250	4,543,682	855,568	18.8
Charges for services	4,572,801	3,625,369	947,432	26.1
Investment earnings	271,623	683,111	(411,488)	(60.2)
Miscellaneous and other	1,847,175	1,877,907	(30,732)	(1.6)
<b>Total General Fund Revenues</b>	<b>\$ 27,257,760</b>	<b>\$ 25,918,804</b>	<b>\$ 1,338,956</b>	<b>5.2</b>

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

**Table A-7  
General Fund Expenditures**

	Year Ended December 31		Change	
	2015	2014	Increase (Decrease)	Percent (%)
General government	\$ 7,498,027	\$ 7,631,508	\$ (133,481)	(1.7)
Public safety	13,591,629	13,210,743	380,886	2.9
Health	2,331,445	2,275,744	55,701	2.4
Culture and recreation	562,095	463,676	98,419	21.2
Conservation of natural resources	1,148,421	1,003,620	144,801	14.4
Economic development	32,336	31,852	484	1.5
Debt service	267,767	278,180	(10,413)	(3.7)
<b>Total General Fund Expenditures</b>	<b>\$ 25,431,720</b>	<b>\$ 24,895,323</b>	<b>\$ 536,397</b>	<b>2.2</b>

### General Fund Budgetary Highlights

- Actual revenues were \$3,340,955 more than budgeted.
- Actual expenditures were \$909,240 less than budgeted.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

By the end of 2015, the County had invested \$224,774,732 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 \$5,305,384.

**Table A-8  
Capital Assets**

	2015	2014	Percent (%) Change
Land	\$ 6,482,739	\$ 6,209,389	4.4
Landfill	6,441,352	6,114,861	5.3
Infrastructure	141,684,291	136,752,371	3.6
Buildings	45,791,617	45,791,617	-
Machinery, vehicles, furniture, and equipment	16,563,063	16,256,737	1.9
Construction in progress	7,496,188	6,610,337	13.4
Software	315,482	315,482	-
Less: accumulated depreciation	<u>(61,673,596)</u>	<u>(57,085,486)</u>	8.0
 Total Capital Assets	 <u>\$ 163,101,136</u>	 <u>\$ 160,965,308</u>	 1.3

**Debt**

At year-end, the County had outstanding debt of \$41,073,532 versus \$52,931,164 last year, a decrease of 22.4 percent as shown in Table A-9.

**Table A-9  
Outstanding Debt**

	2015	2014	Percent (%) Change
General obligation bonds	\$ 12,390,000	\$ 21,505,000	(42.4)
Special assessment bonds	15,650,000	16,870,000	(7.2)
Capital lease	1,293,622	1,687,310	(23.3)
Deferred (discount) premiums	334,137	409,831	(18.5)
Loans payable	<u>11,405,773</u>	<u>12,459,023</u>	(8.5)
 Total Outstanding Debt	 <u>\$ 41,073,532</u>	 <u>\$ 52,931,164</u>	 (22.4)

**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, 2015**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Kandiyohi County Housing and Redevelopment Authority</b>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and investments	\$ 60,885,641	\$ 2,261,400
Taxes receivable - net	459,015	271,428
Special assessments receivable - net	53,414	-
Accounts receivable - net	322,729	81,115
Accrued interest receivable	112,982	-
Property available for resale	-	94,500
Due from other governments	2,566,895	-
Current portion of loans receivable	50,000	-
Current portion of long-term receivable	18,667	-
Rent receivable	-	41,929
Inventories	413,716	-
Prepaid items	-	44,226
<b>Noncurrent assets</b>		
Special assessments receivable - net	13,622,988	-
Accounts receivable - net	2,028,711	-
Long-term receivable	107,331	-
Other postemployment benefits receivable	263,596	-
<b>Restricted assets</b>		
Cash and pooled investments	-	78,144
<b>Capital assets</b>		
Non-depreciable	13,978,927	1,171,601
Depreciable - net of accumulated depreciation	149,122,209	2,742,271
<b>Total Assets</b>	<b>\$ 244,006,821</b>	<b>\$ 6,786,614</b>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred pension outflows	<b>\$ 3,116,664</b>	<b>\$ -</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Kandiyohi County Housing and Redevelopment Authority</b>
<b><u>Liabilities</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 936,595	\$ 145,168
Salaries payable	800,502	-
Accrued payroll and payroll taxes	-	121,170
Contracts payable	389,079	-
Due to other governments	469,151	-
Accrued interest payable	489,469	4,074
Unearned revenue	15,507	23,068
Other accrued liabilities	-	13,552
<b>Restricted liabilities payable from restricted assets</b>		
Security deposits	-	60,866
<b>Long-term liabilities</b>		
Due within one year	5,712,439	50,020
Due in more than one year	46,858,940	1,162,984
Net pension liability	17,993,193	-
<b>Total Liabilities</b>	<b>\$ 73,664,875</b>	<b>\$ 1,580,902</b>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for subsequent years expenditures	\$ -	\$ 290,000
Advance from other governments	215,966	-
Deferred pension inflows	2,438,174	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,654,140</b>	<b>\$ 290,000</b>
<b><u>Net Position</u></b>		
Net investment in capital assets	\$ 124,114,041	\$ 2,700,868
Restricted for		
General government	518,850	-
Public safety	1,105,002	-
Highways and streets	1,205,009	-
Sanitation	6,950,871	-
Conservation of natural resources	644,076	-
Debt service	5,707,809	-
Other purpose	-	238,099
Unrestricted	30,558,812	1,976,745
<b>Total Net Position</b>	<b>\$ 170,804,470</b>	<b>\$ 4,915,712</b>

The notes to the financial statements are an integral part of this statement.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Expenses	Fees, Charges, Fines, and Other
<b><u>Functions/Programs</u></b>		
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 9,581,553	\$ 2,285,675
Public safety	14,560,668	2,655,452
Highways and streets	11,263,851	446,349
Sanitation	5,267,419	7,890,742
Human services	15,797,473	1,221,513
Health	2,414,751	710,357
Culture and recreation	1,356,345	345,283
Conservation of natural resources	1,998,859	963,436
Economic development	32,336	-
Interest	1,298,991	-
	<b>\$ 63,572,246</b>	<b>\$ 16,518,807</b>
 <b>Component unit</b>		
Kandiyohi County Housing and Redevelopment Authority	<b>\$ 3,299,062</b>	<b>\$ 1,174,211</b>

**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

**Special Item**

Transfer of operations from the Willmar HRA

**Total general revenues and special item**

**Change in net position**

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

**Net Position - Ending**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Discretely Presented Component Unit</b>
\$ 273,562	\$ -	\$ (7,022,316)	
1,279,869	-	(10,625,347)	
6,869,862	2,058,296	(1,889,344)	
142,198	-	2,765,521	
8,469,955	-	(6,106,005)	
1,060,527	-	(643,867)	
56,178	-	(954,884)	
1,070,410	-	34,987	
-	-	(32,336)	
-	-	(1,298,991)	
<b>\$ 19,222,561</b>	<b>\$ 2,058,296</b>	<b>\$ (25,772,582)</b>	
<b>\$ 1,915,199</b>	<b>\$ -</b>		<b>\$ (209,652)</b>
		\$ 29,525,733	\$ -
		63,949	-
		35,877	-
		461,719	-
		-	368,116
		371,076	-
		2,377,474	-
		788,740	4,402
		1,998,221	-
		-	3,966,886
		<b>\$ 35,622,789</b>	<b>\$ 4,339,404</b>
		<b>\$ 9,850,207</b>	<b>\$ 4,129,752</b>
		<b>160,954,263</b>	<b>785,960</b>
		<b>\$ 170,804,470</b>	<b>\$ 4,915,712</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Assets</u></b>			
Cash and investments	\$ 16,561,586	\$ 6,535,503	\$ 5,042,191
Taxes receivable			
Delinquent - net	233,965	64,912	97,499
Special assessments			
Delinquent - net	25,640	-	-
Noncurrent - net	1,564,128	-	-
Accounts receivable - net	13,252	-	1,405
Accrued interest receivable	69,104	3,526	-
Due from other funds	14,834	90,794	1,083
Due from other governments	364,972	842,882	964,796
Inventories	-	413,716	-
Advance to other funds	125,000	-	-
Loans receivable	-	-	-
Long-term receivable	-	-	-
<b>Total Assets</b>	<b>\$ 18,972,481</b>	<b>\$ 7,951,333</b>	<b>\$ 6,106,974</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 255,129	\$ 94,203	\$ 220,482
Salaries payable	493,803	67,980	192,185
Contracts payable	-	389,079	-
Due to other funds	83,173	30,863	6,886
Due to other governments	204,564	18,722	139,599
Unearned revenue	15,507	-	-
Advance from other funds	-	-	-
<b>Total Liabilities</b>	<b>\$ 1,052,176</b>	<b>\$ 600,847</b>	<b>\$ 559,152</b>
<b>Deferred Inflows of Resources</b>			
Advances from other governments	\$ -	\$ 215,966	\$ -
Unavailable revenue	1,803,040	862,170	140,641
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,803,040</b>	<b>\$ 1,078,136</b>	<b>\$ 140,641</b>

**EXHIBIT 3**

<u>Sanitary Landfill/ Recycling Center</u>	<u>County Building</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 14,131,947	\$ 5,947,745	\$ 5,494,745	\$ 188,955	\$ 6,982,969	\$ 60,885,641
-	6,932	24,109	-	31,598	459,015
-	-	20,036	1,936	5,802	53,414
-	-	10,883,455	720,566	454,839	13,622,988
1,451,325	129	359,871	-	525,458	2,351,440
33,396	6,038	-	-	918	112,982
34	-	-	-	29,672	136,417
204	2,547	137,272	-	254,222	2,566,895
-	-	-	-	-	413,716
-	65,633	-	-	-	190,633
-	-	50,000	-	-	50,000
-	125,998	-	-	-	125,998
<b><u>\$ 15,616,906</u></b>	<b><u>\$ 6,155,022</u></b>	<b><u>\$ 16,969,488</u></b>	<b><u>\$ 911,457</u></b>	<b><u>\$ 8,285,478</u></b>	<b><u>\$ 80,969,139</u></b>
\$ 105,979	\$ 15,934	\$ -	\$ -	\$ 244,868	\$ 936,595
17,456	-	-	-	29,078	800,502
-	-	-	-	-	389,079
2,422	959	-	-	12,114	136,417
19,213	99	3,804	-	83,150	469,151
-	-	-	-	-	15,507
-	-	-	-	190,633	190,633
<b><u>\$ 145,070</u></b>	<b><u>\$ 16,992</u></b>	<b><u>\$ 3,804</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 559,843</u></b>	<b><u>\$ 2,937,884</u></b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,966
1,257,286	11,851	11,257,875	722,286	1,126,250	17,181,399
<b><u>\$ 1,257,286</u></b>	<b><u>\$ 11,851</u></b>	<b><u>\$ 11,257,875</u></b>	<b><u>\$ 722,286</u></b>	<b><u>\$ 1,126,250</u></b>	<b><u>\$ 17,397,365</u></b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b> (Continued)			
<b>Fund Balances</b>			
Nonspendable			
Inventories	\$ -	\$ 413,716	\$ -
Advances to other funds	125,000	-	-
Restricted for			
Debt service	-	-	-
Recorder's equipment purchases	460,733	-	-
Sheriff's contingency	127,422	-	-
Forfeited property	214,514	-	-
Permit to carry	201,160	-	-
Public safety	59,127	-	-
Sanitation	-	-	-
Donations - public safety	3,237	-	-
Enhanced 911	499,542	-	-
Gravel pit restoration	238,162	-	-
Highways and streets	-	401,549	-
ISTS loans	58,117	-	-
Closure/postclosure	-	-	-
Ditch maintenance and repairs	-	-	-
Committed to			
Repairs and maintenance of County buildings	-	-	-
Purchases of capital equipment	-	-	-
Eagle Lake Sewer	-	-	-
Green Lake Sewer	-	-	-
Library operations and building maintenance	-	-	-
DARE program	-	-	-
Health and Human Services building operations and maintenance	-	-	-
Assigned to			
Highways and streets	-	5,457,085	-
Human services	-	-	5,407,181
Capital projects	-	-	-
Unassigned	14,130,251	-	-
<b>Total Fund Balances</b>	<b>\$ 16,117,265</b>	<b>\$ 6,272,350</b>	<b>\$ 5,407,181</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 18,972,481</b>	<b>\$ 7,951,333</b>	<b>\$ 6,106,974</b>

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

<u>Sanitary Landfill/ Recycling Center</u>	<u>County Building</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 413,716
-	65,633	-	-	-	190,633
-	-	5,707,809	-	-	5,707,809
-	-	-	-	-	460,733
-	-	-	-	-	127,422
-	-	-	-	-	214,514
-	-	-	-	-	201,160
-	-	-	-	-	59,127
6,950,871	-	-	-	-	6,950,871
-	-	-	-	-	3,237
-	-	-	-	-	499,542
-	-	-	-	-	238,162
-	-	-	-	-	401,549
-	-	-	-	-	58,117
7,263,679	-	-	-	-	7,263,679
-	-	-	-	405,914	405,914
-	6,060,546	-	-	-	6,060,546
-	-	-	-	3,669,551	3,669,551
-	-	-	-	279,141	279,141
-	-	-	-	1,846,725	1,846,725
-	-	-	-	228,136	228,136
-	-	-	-	44,811	44,811
-	-	-	-	814,994	814,994
-	-	-	-	-	5,457,085
-	-	-	-	-	5,407,181
-	-	-	189,171	-	189,171
-	-	-	-	(689,887)	13,440,364
<b>\$ 14,214,550</b>	<b>\$ 6,126,179</b>	<b>\$ 5,707,809</b>	<b>\$ 189,171</b>	<b>\$ 6,599,385</b>	<b>\$ 60,633,890</b>
<b>\$ 15,616,906</b>	<b>\$ 6,155,022</b>	<b>\$ 16,969,488</b>	<b>\$ 911,457</b>	<b>\$ 8,285,478</b>	<b>\$ 80,969,139</b>

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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, 2015**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$</b>	<b>60,633,890</b>
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.			163,101,136
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.			3,116,664
Revenue in the statement of activities that do not provide current financial resources are not reported in the governmental funds.			17,181,399
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	\$	(12,390,000)	
Special assessment bonds		(15,650,000)	
Unamortized premium on bonds		(457,850)	
Unamortized discount on bonds		123,713	
Capital lease payable		(1,293,622)	
Loans payable		(11,405,773)	
Estimated liability for landfill closure/postclosure		(7,263,679)	
Compensated absences		(4,234,168)	
Net pension liability		(17,993,193)	
Net other postemployment benefits		<u>263,596</u>	(70,300,976)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.			(2,438,174)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.			<u>(489,469)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>			<b><u><u>\$ 170,804,470</u></u></b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 15,166,911	\$ 4,737,859	\$ 6,337,769
Special assessments	296,777	-	-
Licenses and permits	428,213	-	-
Intergovernmental	5,399,250	9,314,979	8,844,771
Charges for services	4,572,801	416,853	828,979
Fines and forfeits	93,517	-	-
Gifts and contributions	95,812	-	238
Investment earnings	271,623	26,584	-
Miscellaneous	932,856	29,496	392,534
<b>Total Revenues</b>	<b>\$ 27,257,760</b>	<b>\$ 14,525,771</b>	<b>\$ 16,404,291</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 7,498,027	\$ -	\$ -
Public safety	13,591,629	-	-
Highways and streets	-	13,046,584	-
Sanitation	-	-	-
Human services	-	-	15,706,956
Health	2,331,445	-	-
Culture and recreation	562,095	-	-
Conservation of natural resources	1,148,421	-	-
Economic development	32,336	-	-
<b>Intergovernmental</b>			
Highways and streets	-	392,559	-
Culture and recreation	-	-	-
<b>Capital outlay</b>			
Sanitation	-	-	-
<b>Debt service</b>			
Principal	233,818	160,000	-
Interest	33,949	106,603	-
Administrative (fiscal) charges	-	872	-
<b>Total Expenditures</b>	<b>\$ 25,431,720</b>	<b>\$ 13,706,618</b>	<b>\$ 15,706,956</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,826,040</b>	<b>\$ 819,153</b>	<b>\$ 697,335</b>



**EXHIBIT 5**

<u>Sanitary Landfill/ Recycling Center</u>	<u>County Building</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ 367,717	\$ 1,199,224	\$ -	\$ 2,237,286	\$ 30,046,766
236,000	-	1,624,577	76,937	517,660	2,751,951
1,100	-	-	-	64,669	493,982
132,408	30,970	6,283	-	249,545	23,978,206
3,725,305	-	1,287,121	-	1,257,139	12,088,198
-	-	-	-	29,803	123,320
-	-	-	-	-	96,050
319,624	49,379	1,170	-	105,981	774,361
504,559	230,821	153,619	-	1,828,456	4,072,341
<b>\$ 4,918,996</b>	<b>\$ 678,887</b>	<b>\$ 4,271,994</b>	<b>\$ 76,937</b>	<b>\$ 6,290,539</b>	<b>\$ 74,425,175</b>
\$ -	\$ 166,155	\$ -	\$ -	\$ 1,257,157	\$ 8,921,339
-	-	-	-	210,952	13,802,581
-	-	-	-	757,248	13,803,832
2,695,923	-	-	-	1,422,769	4,118,692
-	-	-	-	-	15,706,956
-	-	-	-	-	2,331,445
-	130,056	-	-	201,810	893,961
-	31,190	-	-	695,436	1,875,047
-	-	-	-	-	32,336
-	-	-	-	-	392,559
-	-	-	-	363,300	363,300
-	-	-	1,274,900	-	1,274,900
-	-	11,297,000	-	393,689	12,084,507
-	-	1,258,857	-	77,595	1,477,004
-	-	10,945	-	-	11,817
<b>\$ 2,695,923</b>	<b>\$ 327,401</b>	<b>\$ 12,566,802</b>	<b>\$ 1,274,900</b>	<b>\$ 5,379,956</b>	<b>\$ 77,090,276</b>
<b>\$ 2,223,073</b>	<b>\$ 351,486</b>	<b>\$ (8,294,808)</b>	<b>\$ (1,197,963)</b>	<b>\$ 910,583</b>	<b>\$ (2,665,101)</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ -	\$ -
Transfers out	-	-	-
Loans issued	302,569	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 302,569</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Changes in Fund Balances</b>	<b>\$ 2,128,609</b>	<b>\$ 819,153</b>	<b>\$ 697,335</b>
<b>Fund Balance - January 1</b>	13,988,656	5,455,702	4,709,846
<b>Increase (decrease) in inventories</b>	<u>-</u>	<u>(2,505)</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 16,117,265</u></u>	<u><u>\$ 6,272,350</u></u>	<u><u>\$ 5,407,181</u></u>

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

<u>Sanitary Landfill/ Recycling Center</u>	<u>County Building</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 631,910	\$ 10,203	\$ 22,788	\$ 664,901
-	-	(22,788)	-	(642,113)	(664,901)
-	-	-	-	-	302,569
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609,122</u>	<u>\$ 10,203</u>	<u>\$ (619,325)</u>	<u>\$ 302,569</u>
\$ 2,223,073	\$ 351,486	\$ (7,685,686)	\$ (1,187,760)	\$ 291,258	\$ (2,362,532)
11,991,477	5,774,693	13,393,495	1,376,931	6,308,127	62,998,927
-	-	-	-	-	(2,505)
<u><u>\$ 14,214,550</u></u>	<u><u>\$ 6,126,179</u></u>	<u><u>\$ 5,707,809</u></u>	<u><u>\$ 189,171</u></u>	<u><u>\$ 6,599,385</u></u>	<u><u>\$ 60,633,890</u></u>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT 6*

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (2,362,532)**

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	\$ 17,181,399	
Unavailable revenue - January 1	<u>(18,207,611)</u>	(1,026,212)

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	\$ 7,573,467	
Net book value of assets sold	(132,255)	
Current year depreciation	<u>(5,305,384)</u>	2,135,828

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		(302,569)

Principal repayments		
General obligation bonds	\$ 9,115,000	
Special assessment bonds	1,220,000	
Capital lease	393,688	
Loans payable	<u>1,355,819</u>	12,084,507

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**EXHIBIT 6  
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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	\$	114,136	
Current year amortization of premium on bonds issued		89,271	
Current year amortization of discount on bonds issued		(13,577)	
Change in compensated absences		(49,535)	
Change in net other postemployment benefits		(45,492)	
Change in net pension liability, as restated		(157,788)	
Change in deferred outflows of resources, as restated		2,159,671	
Change in deferred inflows of resources		(2,438,174)	
Change in inventories		(2,505)	
Change in estimated liability for landfill closure/postclosure		(334,822)	(678,815)
<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>			<b>\$ 9,850,207</b>

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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, 2015**

	<u>Agency Fund</u>
<b><u>Assets</u></b>	
Cash and investments	\$ <u>1,110,025</u>
<b><u>Liabilities</u></b>	
Due to other governments	\$ <u>1,110,025</u>

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

For financial reporting purposes, Kandiyohi County has included all funds, organizations, agencies, boards, commissions, and authorities, and has considered all potential component units for which the County is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on the organization; or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Blended Component Unit

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

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

Discretely Presented Component Unit

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

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

Joint Ventures and Jointly-Governed Organizations

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the County not accounted for and reported in another fund.

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

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

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

The County Building Special Revenue Fund accounts for committed financial resources, primarily property tax revenues, for improvements to and purchases of County buildings.

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.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund type:

Fiduciary Fund

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. This fund accounts for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Kandiyohi County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuances of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, 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, 2015, 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 2015, the County reported pooled investment earnings of \$271,623.

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 investment in the pool is measured at the net asset value per share provided by the pool.

2. Receivables and Payables

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

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

All receivables, including those of the discretely presented component unit, are shown net of an allowance for uncollectibles.

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



**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

Special assessments receivable consist of delinquent special assessments payable in the years 2001 through 2015 and noncurrent special assessments payable in 2016 and after. All special assessments receivable are shown net of an allowance for uncollectible.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed and are equally offset by nonspendable fund balance to indicate that they do not constitute available spendable resources. Inventories at the government-wide level are recorded as expenses when consumed.

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

4. Restricted Assets

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

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.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

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 are depreciated using the straight-line method over the following estimated useful lives:

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

6. Unearned Revenue

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

7. Compensated Absences

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of 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 one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three such items that qualify for reporting

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources (Continued)

in this category. The first item, unavailable revenue, arises only under the modified accrual basis of accounting; however, the second item, advance from other governments, arises under both the modified accrual and the full accrual basis of accounting. Unavailable revenue and the advance from other governments are reported in the governmental funds balance sheet, while only the advance from other governments is also reported in the statement of net position. The County also has a third item, deferred pension inflows, which arises only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

10. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The net pension liability is liquidated primarily by the General Fund.

11. Classification of Net Position

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

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

11. Classification of Net Position (Continued)

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.

12. Classification of Fund Balances

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

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

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

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

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances (Continued)

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

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

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

13. Use of Estimates

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

E. Change in Accounting Principles

During the year ended December 31, 2015, the County adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosure and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, modifies the measure of payroll presented in the required supplementary information schedules.

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows of resources.

	<u>Governmental Activities</u>
Net Position, January 1, 2015, as previously reported	\$ 177,832,675
Change in accounting principles	<u>(16,878,412)</u>
Net Position, January 1, 2015, as restated	<u>\$ 160,954,263</u>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

At December 31, 2015, the Ditch Special Revenue Fund had a deficit fund balance of \$58,268. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

83 ditches with positive balances	\$ 405,914
30 ditches with deficit balances	<u>(464,182)</u>
Net Fund Balance	<u>\$ (58,268)</u>

At December 31, 2015, the Regional Treatment Center Special Revenue Fund had a deficit fund balance of \$225,705. This deficit is expected to be eliminated through the collection of future lease payments and possible transfers from other County funds.

B. Expenditures in Excess of Budget

The Capital Equipment Special Revenue Fund expenditures exceeded budget by \$1,171,247 because the County budgeted zero expenditures for the fund.

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	\$ 60,885,641
Statement of fiduciary net position	
Cash and investments	<u>1,110,025</u>
Total Cash and Investments	<u>\$ 61,995,666</u>



**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

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, 2015, 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. 6;

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

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.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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, 2015.

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, 2015, 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	\$	\$ 737,654	\$ 10,864,454	\$ 11,602,108
Federal National Mortgage Association	Aaa/NR	-	4,615,793	54,678	4,670,471
Federal Home Loan Mortgage Corporation	Aaa	-	420,671	458,031	878,702
Federal Farm Credit Bank	Aaa	-	668,488	497,050	1,165,538
 Total U.S. government securities/bonds		\$	\$ 6,442,606	\$ 11,874,213	\$ 18,316,819
 U.S. government treasury notes	Aaa	90,021	318,587	-	408,608
 State and local government taxable revenue bonds	Aaa/Aa3/ Aa2/Aa1/ NR	101,525	3,654,572	2,212,540	5,968,637

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

	Credit Risk	Less Than 1 Year	1-5 Years	More Than 5 Years	Total Fair Value
State and local government taxable revenue bonds	Aaa/Aa2/ Aa1	140,866	-	-	140,866
Repurchase agreements	NR	5,282,262	-	-	5,282,262
Investment pools - MAGIC Fund	NR	21,757,165	-	-	21,757,165
Money market accounts with brokers	NR	153,656	-	-	153,656
Negotiable certificates of deposit	NR	-	5,029,923	239,988	5,269,911
		<u>\$ 27,525,495</u>	<u>\$ 15,445,688</u>	<u>\$ 14,326,741</u>	\$ 57,297,924
Total investments					
Deposits					4,609,297
Departmental cash					85,930
Petty cash					2,515
					<u>\$ 61,995,666</u>
Total Cash and Investments					

N/R - Not rated

2. Receivables

Receivables as of December 31, 2015, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Funds Receivables		
Taxes	\$ 459,015	\$ -
Special assessments	13,676,402	13,622,988
Accounts	2,351,440	2,028,711
Accrued interest	112,982	-
Due from other governments	2,566,895	-
Loans	50,000	-
Long-term	125,998	107,331
	<u>\$ 19,342,732</u>	<u>\$ 15,759,030</u>
Total receivables		

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Loans Receivable

In December 2005, the County Board approved a \$6,135,000 loan at an interest rate of 3.125 to 5.300 percent to Bushmills Ethanol, Inc., for the construction of an ethanol plant. The balance, as of January 1, 2015, of \$2,879,707, was paid off during 2015. In 2008, the County issued \$605,000 in bond principal to be used by the County to purchase the City of Willmar radio equipment in consideration of the City's agreement to make payments on the amount. As of December 31, 2015, there was \$50,000 remaining on the loan.

Loans outstanding at January 1, 2015	\$ 2,974,707
Loan repayments	<u>2,924,707</u>
Ending Balance December 31, 2015	<u>\$ 50,000</u>

Long-Term Receivable

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 6,209,389	\$ 273,350	\$ -	\$ 6,482,739
Construction in progress	6,610,337	5,817,771	4,931,920	7,496,188
<b>Total capital assets not depreciated</b>	<b>\$ 12,819,726</b>	<b>\$ 6,091,121</b>	<b>\$ 4,931,920</b>	<b>\$ 13,978,927</b>
Capital assets depreciated				
Landfill	\$ 6,114,861	\$ 326,491	\$ -	\$ 6,441,352
Buildings	45,791,617	-	-	45,791,617
Machinery, vehicles, furniture, and equipment	16,256,737	1,155,855	849,529	16,563,063
Infrastructure	136,752,371	4,931,920	-	141,684,291
Software	315,482	-	-	315,482
<b>Total capital assets depreciated</b>	<b>\$ 205,231,068</b>	<b>\$ 6,414,266</b>	<b>\$ 849,529</b>	<b>\$ 210,795,805</b>
Less: accumulated depreciation for				
Landfill	\$ 1,430,434	\$ 132,160	\$ -	\$ 1,562,594
Buildings	14,128,331	1,019,795	-	15,148,126
Machinery, vehicles, furniture, and equipment	10,899,551	1,209,536	717,274	11,391,813
Infrastructure	30,400,888	2,880,796	-	33,281,684
Software	226,282	63,097	-	289,379
<b>Total accumulated depreciation</b>	<b>\$ 57,085,486</b>	<b>\$ 5,305,384</b>	<b>\$ 717,274</b>	<b>\$ 61,673,596</b>
<b>Total capital assets depreciated, net</b>	<b>\$ 148,145,582</b>	<b>\$ 1,108,882</b>	<b>\$ 132,255</b>	<b>\$ 149,122,209</b>
Governmental Activities Capital Assets, Net	<b>\$ 160,965,308</b>	<b>\$ 7,200,003</b>	<b>\$ 5,064,175</b>	<b>\$ 163,101,136</b>

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

Governmental Activities	
General government	\$ 612,501
Public safety	798,744
Highways and streets, including depreciation of infrastructure assets	2,376,021
Sanitation	1,224,033
Human services	10,288
Culture and recreation	97,003
Conservation of natural resources	186,794
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 5,305,384</b>

**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, 2015, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General	Road and Bridge	\$ 1,191	Supplies provided
	Human Services	6,886	Charges for services rendered and supplies provided
	Sanitary Landfill/ Recycling Center	1,399	Charges for services rendered and supplies provided
	Nonmajor	<u>5,358</u>	Charges for services rendered and supplies provided
Total due to General Fund		<u>\$ 14,834</u>	
Road and Bridge	General	\$ 82,056	Charges for services rendered
	Sanitary Landfill/ Recycling Center	1,023	Charges for services rendered
	County Building	959	Charges for services rendered
	Nonmajor	<u>6,756</u>	Charges for services rendered
Total due to Road and Bridge Fund		<u>\$ 90,794</u>	
Human Services	General	<u>\$ 1,083</u>	Charges for services rendered
Sanitary Landfill/Recycling Center	General	<u>\$ 34</u>	Charges for services rendered
Nonmajor	Road and Bridge	<u>\$ 29,672</u>	Charges for services rendered
Total Due To/From Other Funds		<u>\$ 136,417</u>	

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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3. Detailed Notes on All Funds

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

2. Advance To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General	Nonmajor	\$ 125,000	Eliminate negative cash
County Building	Nonmajor	65,633	balance Boiler decentralization loan
Total Advance From/To Other Funds		\$ 190,633	

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following:

Transfer to Debt Service Fund from nonmajor funds	\$ 631,910	Provide funds for debt service
Transfer to Capital Projects Fund from nonmajor funds	10,203	Reimburse Tri-Lakes bond
Transfer to nonmajor funds from Debt Service Fund	22,788	Report current expenditures in the Debt Service Fund
Total Interfund Transfers	\$ 664,901	

C. Liabilities and Deferred Inflows of Resources

1. Construction and Other Commitments

The County has active construction projects as of December 31, 2015. The remaining commitment for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2015.



**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Other Postemployment Benefits - Retirees

The County provides postemployment health care benefits for certain retirees. The County contributes one year of single coverage paid health insurance for every three years of service, not to exceed \$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 7 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2015, the County expended \$255,151 for these benefits.

3. Unearned Revenues/Deferred Inflows of Resources

Deferred inflows of resources consist of taxes, special assessments, and state and federal grants receivable not collected soon enough after year-end to pay liabilities of the current period. Unearned revenues consist of state and federal grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2015, are summarized below by fund:

	Taxes	Charges for Services	Special Assessments	Grants and Highway Allotments	Other	Total
Major governmental funds						
General	\$ 188,944	\$ -	\$ 1,584,944	\$ 15,507	\$ 29,152	\$ 1,818,547
Special Revenue						
Road and Bridge	52,313	-	-	1,022,297	3,526	1,078,136
Human Services	78,566	-	-	62,075	-	140,641
Sanitary Landfill/ Recycling Center	-	1,229,411	-	-	27,875	1,257,286
County Building	5,813	-	-	-	6,038	11,851
Debt Service	20,238	-	11,237,637	-	-	11,257,875
Capital Projects	-	-	722,286	-	-	722,286
Nonmajor funds	25,138	504,294	596,255	-	563	1,126,250
	<u>\$ 371,012</u>	<u>\$ 1,733,705</u>	<u>\$ 14,141,122</u>	<u>\$ 1,099,879</u>	<u>\$ 67,154</u>	<u>\$ 17,412,872</u>
Total						
	<u>\$ 371,012</u>	<u>\$ 1,733,705</u>	<u>\$ 14,141,122</u>	<u>\$ 1,099,879</u>	<u>\$ 67,154</u>	<u>\$ 17,412,872</u>
Liability						
Unearned revenue	\$ -	\$ -	\$ -	\$ 15,507	\$ -	\$ 15,507
Deferred Inflows of Resources						
Advance from other governments	-	-	-	215,966	-	215,966
Unavailable revenue	371,012	1,733,705	14,141,122	868,406	67,154	17,181,399
	<u>\$ 371,012</u>	<u>\$ 1,733,705</u>	<u>\$ 14,141,122</u>	<u>\$ 1,099,879</u>	<u>\$ 67,154</u>	<u>\$ 17,412,872</u>
Total						
	<u>\$ 371,012</u>	<u>\$ 1,733,705</u>	<u>\$ 14,141,122</u>	<u>\$ 1,099,879</u>	<u>\$ 67,154</u>	<u>\$ 17,412,872</u>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds					
2005 G.O. Road Reconstruction Bonds	2027	\$125,000 - \$270,000	3.75 - 4.25	\$ 3,700,000	\$ 2,560,000
2008 G.O. Capital Equipment Bonds	2016	\$40,000 - \$510,000	3.00 - 4.80	3,550,000	560,000
2009A Capital Improvement Bonds	2016	\$490,000 - \$615,000	2.00 - 3.00	4,010,000	615,000
2014A G.O. Law Enforcement Facility Refunding Bonds	2021	\$425,000 - \$1,285,000	2.00 - 3.00	7,295,000	6,870,000
2014B G.O. Solid Waste Bonds	2022	\$240,000 - \$270,000	2.00	1,785,000	1,785,000
Total General Obligation Bonds				<u>\$ 20,340,000</u>	<u>\$ 12,390,000</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	\$ 4,950,000
2010A G.O. Sewer and Water Revenue Bonds	2032	\$225,000 - \$435,000	3.00 - 4.00	6,245,000	5,555,000
2010B G.O. Sewer and Water Revenue Refunding Bonds	2022	\$380,000 - \$480,000	1.10 - 3.45	4,220,000	3,065,000
2012 G.O. Sewer and Water Revenue Refunding Bonds	2023	\$75,000 - \$305,000	1.275	3,085,000	2,080,000
Total Special Assessment Bonds with Government Commitment				<u>\$ 19,650,000</u>	<u>\$ 15,650,000</u>
Capital Lease with Government Commitment					
16-Bed Community Behavioral Health Hospital	2018	\$148,415 - \$227,959	4.57	\$ 3,710,000	\$ 1,293,622
Loans payable					
2000 Public Facilities Authority Clean Water G.O. Revenue Note	2020	\$6,397 - \$455,000	2.25	\$ 7,188,360	\$ 2,177,000
2001 Public Facilities Authority Clean Water G.O. Revenue Note	2021	\$3,344 - \$228,000	2.25	3,648,450	1,294,000
2002 Public Facilities Authority Clean Water G.O. Revenue Note	2021	\$567 - \$40,000	2.14	651,000	229,000
2006A Public Facilities Authority Clean Water G.O. Revenue Note	2026	\$178,876 - \$216,000	1.00	3,761,876	2,266,000

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
Loans payable (Continued)					
2000 Public Facilities Authority Drinking Water G.O. Revenue Note	2019	\$3,054 - \$158,450	3.54	2,262,450	602,450
2001 Public Facilities Authority Drinking Water G.O. Revenue Note	2020	\$1,409 - \$70,000	3.54	1,012,260	327,000
2006B Public Facilities Authority Wastewater Infrastructure G.O. Revenue Note	2032	\$9,124 - \$109,000	0.00	1,208,124	1,208,124
Hawk Creek Watershed Continuation Clean Water Partnership Project	2016	\$17,027	2.00	307,260	33,550
Hawk Creek Watershed Continuation Clean Water Partnership Project	2020	\$26,804	2.00	483,701	229,607
Shakopee Creek Headwaters Continuation Clean Water Partnership Project	2018	\$11,515	2.00	207,794	66,735
Crow River Basin Clean Water Partnership Project	2021	\$23,752	2.00	370,772	215,416
Shakopee Creek Headwaters Continuation Clean Water Partnership Project	2021	\$14,408	2.00	166,331	103,741
Hawk Creek Watershed Continuation Clean Water Partnership Project	2023	\$26,799	2.00	407,235	332,139
Crow River Watershed - Reducing Surface Water Runoff Project	2024	\$16,678	2.00	300,971	259,553
Chippewa River Accelerated Restoration Clean Water Partnership Project	2025	\$11,526	2.00	168,862	168,862
Hawk Creek Watershed Nitrogen Reduction Clean Water Partnership Project*	2026	\$23,053	2.00	258,198	258,198
Chippewa River Accelerated Restoration Clean Water Partnership Project*	2026	\$20,365	2.00	218,333	218,333
Chippewa River Watershed Protection Project Clean Water Partnership Project*	2028	\$11,526	2.00	46,065	46,065
City of New London USDA Rural Development	2029	\$85,000 - \$125,000	2.00 - 3.10	1,735,000	1,370,000
Total Loans Payable				<u>\$ 24,403,042</u>	<u>\$ 11,405,773</u>

\*The outstanding balance for these loans represents the amount received from the Minnesota Pollution Control Agency as of December 31, 2015. 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)

5. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

Year Ending December 31	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 2,640,000	\$ 339,089	\$ 1,260,000	\$ 531,977
2017	1,500,000	280,558	1,285,000	501,507
2018	1,550,000	235,773	1,315,000	468,950
2019	1,590,000	189,533	1,360,000	433,429
2020	1,640,000	141,803	1,390,000	393,856
2021 - 2025	2,945,000	261,418	4,340,000	1,405,587
2026 - 2030	525,000	22,632	3,845,000	607,624
2031 - 2032	-	-	855,000	34,500
Total	\$ 12,390,000	\$ 1,470,806	\$ 15,650,000	\$ 4,377,430

Year Ending December 31	Capital Lease		Loans	
	Principal	Interest	Principal	Interest
2016	\$ 411,881	\$ 54,452	\$ 1,296,895	\$ 182,659
2017	430,914	35,419	1,381,513	170,291
2018	450,827	15,506	1,414,764	139,683
2019	-	-	1,422,406	108,451
2020	-	-	1,265,111	76,754
2021 - 2025	-	-	2,208,365	166,138
2026 - 2030	-	-	1,558,000	31,238
2031 - 2032	-	-	336,123	-
Total	\$ 1,293,622	\$ 105,377	\$ 10,883,177	\$ 875,214

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 21,505,000	\$ -	\$ 9,115,000	\$ 12,390,000	\$ 2,640,000
Special assessment bonds with government commitment	16,870,000	-	1,220,000	15,650,000	1,260,000
Add: premium on bonds	547,121	-	89,271	457,850	-
Less: discount on bonds	(137,290)	-	(13,577)	(123,713)	-
Total bonds payable	\$ 38,784,831	\$ -	\$ 10,410,694	\$ 28,374,137	\$ 3,900,000
Capital lease	1,687,310	-	393,688	1,293,622	411,881
Loans payable	12,459,023	302,569	1,355,819	11,405,773	1,296,895
Estimated liability for landfill closure/postclosure	6,928,857	334,822	-	7,263,679	-
Compensated absences	4,184,633	263,380	213,845	4,234,168	103,663
Governmental Activities Long-Term Liabilities	<u>\$ 64,044,654</u>	<u>\$ 900,771</u>	<u>\$ 12,374,046</u>	<u>\$ 52,571,379</u>	<u>\$ 5,712,439</u>

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

General	\$ 233,818
Road and Bridge Special Revenue	160,000
Debt Service	11,297,000
Nonmajor	393,689
Total Debt Reductions	<u>\$ 12,084,507</u>

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

1. 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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

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. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Fund. For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph 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 their public service.

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service 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 General Employees Retirement Fund members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Fund and Public Employees Correctional Fund members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 55. Disability benefits are available for vested members and are based on years of service and average high-five salary.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans (Continued)

3. Contributions

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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

In 2015, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Fund	16.20
Public Employees Correctional Fund	8.75

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

The County's contributions for the year ended December 31, 2015, to the pension plans were:

General Employees Retirement Fund	\$	1,277,374
Public Employees Police and Fire Fund		393,582
Public Employees Correctional Fund		219,246

The contributions are equal to the contractually required contributions as set by state statute.



**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$14,822,004 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.286 percent. It was 0.313 measured as of June 30, 2014. The County recognized pension expense of \$1,653,915 for its proportionate share of the General Employees Retirement Fund's pension expense.

The County reported its proportionate share of the General Employees Retirement Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 747,281
Difference between projected and actual investment earnings	1,403,130	-
Changes in proportion	-	951,244
Contributions paid to PERA subsequent to the measurement date	<u>691,291</u>	<u>-</u>
Total	<u>\$ 2,094,421</u>	<u>\$ 1,698,525</u>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

A total of \$691,291 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ (215,393)
2017	(215,393)
2018	(215,393)
2019	350,784

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$2,965,571 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.261 percent. It was 0.281 percent measured as of June 30, 2014. The County recognized pension expense of \$473,924 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$23,490 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

The County reported its proportionate share of the Public Employees Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 480,919
Difference between projected and actual investment earnings	516,702	-
Changes in proportion	-	180,007
Contributions paid to PERA subsequent to the measurement date	212,744	-
Total	\$ 729,446	\$ 660,926

A total of \$212,744 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ (3,010)
2017	(3,010)
2018	(3,010)
2019	(3,010)
2020	(132,184)

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$205,618 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 1.33 percent. It was 1.29 percent measured as of June 30, 2014. The County recognized pension expense of \$222,142 for its proportionate share of the Public Employees Correctional Fund's pension expense.

The County reported its proportionate share of the Public Employees Correctional Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ -	\$ 78,723
Difference between projected and actual investment earnings	171,397	-
Changes in proportion	2,263	-
Contributions paid to PERA subsequent to the measurement date	<u>119,137</u>	<u>-</u>
Total	<u>\$ 292,797</u>	<u>\$ 78,723</u>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

A total of \$119,137 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ 17,363
2017	17,363
2018	17,363
2019	42,848

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was \$2,349,981.

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for all years for the Public Employees Correctional Fund.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009. The experience study for the Public Employees Correctional Fund was for the period July 1, 2006, through June 30, 2011.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 23,305,459	\$ 14,822,004	\$ 7,815,974
Public Employees Police and Fire Fund net pension liability	5,779,929	2,965,571	640,421
Public Employees Correctional Fund net pension liability	1,431,958	205,618	(775,949)

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans (Continued)

8. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the Kandiyohi County during the year ended December 31, 2015, were:

	Employee	Employer
Contribution amount	\$ 7,936	\$ 7,936
Percentage of covered payroll	5%	5%



**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans (Continued)

C. Other Postemployment Benefits (OPEB)

Plan Description

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

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 2015, the County contributed \$140,070 to the plan; there were 376 participants in the plan.

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$	180,909
Interest on net OPEB obligation		(13,909)
Adjustments to ARC		18,562
Annual OPEB cost (expense)	\$	185,562
Contributions made		(140,070)
Increase (Decrease) in net OPEB obligation	\$	45,492
Net OPEB Obligation/(Asset) - Beginning of Year		(309,088)
Net OPEB Obligation/(Asset) - End of Year	\$	(263,596)

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plan

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 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, 2013	\$ 167,060	\$ 236,553	141.6%	\$ (303,927)
December 31, 2014	186,018	191,179	102.8	(309,088)
December 31, 2015	185,562	140,070	75.5	(263,596)

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

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

In the January 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of administrative expenses), which is Kandiyohi County's implicit rate of return on the General Fund, and an annual health care cost trend cost of 7.5 percent initially, reduced by decrements to an ultimate rate of five percent after ten years. Both rates included a 2.5 percent inflation assumption. The actuarial value of assets is set equal to the market value of assets. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 22 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 \$7,263,679 with no remaining capacity to be filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2015. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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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, 2015, cash and investments of \$7,091,370 are held for these purposes. The County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

B. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$490,000 per claim in 2015 and \$500,000 per claim in 2016. 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**

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5. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

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

The County contributed \$35 per month for each participating employee in 2015. 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, 2015 and 2014. The following discloses the claims activity during fiscal years 2015 and 2014.

	Year Ended December 31	
	2015	2014
Beginning liability	\$ -	\$ -
Current year claims	50,340	261,617
Claim payments	(50,340)	(261,617)
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**

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5. Summary of Significant Contingencies and Other Items

C. Contingent Liabilities (Continued)

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgements, and litigation. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

D. Joint Ventures

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

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

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

Financing is provided by charges for services to member and nonmember counties.

Complete financial information can be obtained from the Youth Program's Office, P. O. Box 894, Willmar, Minnesota 56201.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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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 Des Moines Valley Health and Human Services (DVHHS) acts as fiscal host.

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

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained by contacting DVHHS at 11 Fourth Street, Windom, Minnesota 56111.

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**

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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 its respective County Board and one City Council member from each city appointed by its 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 it shared in the original expense.

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2015, Kandiyohi County contributed \$10,882 to the Joint Powers Board.



**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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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 North, St. Cloud, Minnesota 56301

Coordinated Enforcement Effort (CEE) VI Task Force

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

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

The Task Force was established to receive and expend federal, state, and local grants and other related funds for the purpose of investigation of burglary, theft, narcotics, stolen property, and crimes of violence. Kandiyohi County has no operational or financial control over the CEE VI Task Force. During the year, Kandiyohi County contributed \$195,100 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.

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.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Putting All Communities Together for Families Collaborative (Continued)

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 Community Care

As of February 4, 2014, the Southern Prairie Health Purchasing Alliance changed its name to Southern Prairie Community Care. 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. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Redwood, and Rock Counties in this agreement. The purpose of the Joint Powers 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**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Pioneerland Regional Library System

Kandiyohi County, along with 32 cities and 9 other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional library service. The Pioneerland Library System is governed by the Pioneerland Library System Board composed of 35 members appointed by member cities and counties. During the year, the County contributed \$363,300 to the System.

Separate financial information can be obtained at Pioneerland Regional Library System, 410 - 5th Street S.W., Willmar, Minnesota 56201.

E. Jointly-Governed Organization

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

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

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

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

The EDC is a special taxing district and financed through levies. Kandiyohi County, in a fiscal host capacity, reports the cash transactions of the EDC in the agency fund on its financial statements. Complete financial information for the EDC can be obtained at Kandiyohi County and City of Willmar Economic Development Commission, 333 Litchfield Avenue S.W., Suite 100, P. O. Box 1783, Willmar, Minnesota 56201.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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6. Kandiyohi County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies

The HRA is reporting as of and for the year ended June 30, 2015.

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 3 to 70 years.

C. Deposits and Investments

The HRA's cash and investments as of June 30, 2015, are summarized as follows:

Unrestricted	
Cash on deposit	\$ 1,183,875
Investments (certificates of deposit)	1,077,525
Restricted	
Cash on deposit	<u>78,144</u>
 Total	 <u>\$ 2,339,544</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 \$2,339,544 as of June 30, 2015; the bank balance was \$1,003,905.

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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6. Kandiyohi County Housing and Redevelopment Authority (HRA)

C. Deposits and Investments (Continued)

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

- (a) direct or guaranteed obligations that are issues of the United States or its agencies;
- (b) shares of investment companies registered under the Federal Investment Company Act of 1940 whose only investments are in securities described in Minnesota statutes;
- (c) general obligations of the State of Minnesota or any of its municipalities and other state and local government obligations as restricted in Minnesota statutes;
- (d) bankers' acceptances of United States banks;
- (e) commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less;
- (f) repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in United States government securities reporting to the Federal Reserve Bank of New York, certain Minnesota securities broker-dealers, or a bank qualified as a depository; and
- (g) guaranteed investment contracts issued or guaranteed by a United States commercial bank or domestic branch of a foreign bank or a United States insurance company or its Canadian or United States subsidiary, provided it ranks on a parity with the senior unsecured debt obligations of the issuer or guarantor and meets other requirements as stated in Minnesota statutes.

D. Receivables

Receivables for the HRA at June 30, 2015, were as follows:

Taxes	271,428
Accounts	\$ 81,115
Rent	41,929
	<hr/>
Total Receivables	\$ 394,472

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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

E. Capital Assets

The HRA's capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Transfer	Increases	Decrease	Ending Balance
Capital assets not depreciated					
Land	\$ 58,917	\$ 1,089,240	\$ -	\$ -	\$ 1,148,157
Landscaping	23,444	-	-	-	23,444
<b>Total capital assets not depreciated</b>	<b>\$ 82,361</b>	<b>\$ 1,089,240</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,171,601</b>
Capital assets depreciated					
Building	\$ 1,359,416	\$ 10,535,344	\$ 40,776	\$ -	\$ 11,935,536
Furniture and equipment	96,977	232,288	16,214	488	344,991
Development cost	-	4,903,972	-	-	4,903,972
<b>Total capital assets depreciated</b>	<b>\$ 1,456,393</b>	<b>\$ 15,671,604</b>	<b>\$ 56,990</b>	<b>\$ 488</b>	<b>\$ 17,184,499</b>
Less: accumulated depreciation	595,626	13,654,159	192,931	488	14,442,228
<b>Total capital assets, depreciated, net</b>	<b>\$ 860,767</b>	<b>\$ 2,017,445</b>	<b>\$ (135,941)</b>	<b>\$ -</b>	<b>\$ 2,742,271</b>
<b>Total Capital Assets, Net</b>	<b>\$ 943,128</b>	<b>\$ 3,106,685</b>	<b>\$ (135,941)</b>	<b>\$ -</b>	<b>\$ 3,913,872</b>

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

Business-type activities	
Country View Place	\$ 10,964
Public Housing	146,352
Housing Project	35,615
<b>Total Depreciation Expense</b>	<b>\$ 192,931</b>

F. Payables

Payables for the HRA at June 30, 2015, were as follows:

Accounts	\$ 145,168
Accrued payroll and payroll taxes	121,170
Accrued interest payable	4,074
Other accrued liabilities	13,552
<b>Total</b>	<b>\$ 283,964</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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

G. Property Taxes

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

H. Long-Term Debt

Long-term debt outstanding at June 30, 2015, for the HRA consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
Essential Function Housing Development Bond of 1997	2031	4.70 - 8.75	\$ 1,530,000	\$ 1,054,595
Essential Function Minnesota Housing Finance Agency	2035	0.00	<u>158,409</u>	<u>158,409</u>
Total			<u>\$ 1,688,409</u>	<u>\$ 1,213,004</u>

The estimated debt service requirements as of June 30, 2015, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 50,020	\$ 47,232	\$ 97,252
2017	52,422	44,829	97,251
2018	54,940	42,312	97,252
2019	57,578	39,673	97,251
2020	60,343	36,908	97,251
2021 - 2025	348,073	138,184	486,257
2026 - 2030	431,219	46,428	477,647
2031 - 2035	-	-	-
2036 - 2040	<u>158,409</u>	<u>-</u>	<u>158,409</u>
Total	<u>\$ 1,213,004</u>	<u>\$ 395,566</u>	<u>\$ 1,608,570</u>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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

I. Lease Agreement

The HRA entered into a five-year lease commencing August 1, 2014, for office space with Kandiyohi County. Under the terms of the lease, the HRA is required to make monthly lease payments to the County in the amount of \$3,985. Total HRA rental expense for the year ended June 30, 2015, totaled \$20,404.

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

	<u>Amount</u>
2016	\$ 47,820
2017	47,820
2018	47,820
2019	47,820
2020	<u>3,985</u>
Total	<u>\$ 195,265</u>

J. Risk Management

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



**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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

K. Contingencies

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

L. Subsequent Events

Subsequent to June 30, 2015, the Willmar HRA will transfer all programs, properties, other assets and liabilities to other entities. Upon completion of all transfers, the Willmar HRA will cease to do business. The Rural Development Intermediary Relending Program along with program's assets and liabilities will be transferred to the City of Willmar and Kandiyohi County Economic Development Commission; Highland Apartments will transfer to the Highland Apartments Limited Partnership; all other programs, properties, other assets, and liabilities will transfer to the Kandiyohi County Housing and Redevelopment Authority.

On May 24, 2016, the HRA borrowed \$2,257,000 from the Minnesota Housing Finance Agency under the Publicly Owned Housing Program. The proceeds of the loan will be used for housing low-income persons and households.

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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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 15,187,878	\$ 15,187,878	\$ 15,166,911	\$ (20,967)
Special assessments	-	-	296,777	296,777
Licenses and permits	368,200	368,200	428,213	60,013
Intergovernmental	3,618,722	3,624,227	5,399,250	1,775,023
Charges for services	4,030,400	4,030,400	4,572,801	542,401
Fines and forfeits	73,800	73,800	93,517	19,717
Gifts and contributions	-	-	95,812	95,812
Investment earnings	100,000	100,000	271,623	171,623
Miscellaneous	532,300	532,300	932,856	400,556
<b>Total Revenues</b>	<b>\$ 23,911,300</b>	<b>\$ 23,916,805</b>	<b>\$ 27,257,760</b>	<b>\$ 3,340,955</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Board of County Commissioners	\$ 392,400	\$ 392,400	\$ 352,908	\$ 39,492
Court system	28,000	28,000	4,730	23,270
Law library	60,000	60,000	31,451	28,549
County administrator	251,500	251,500	144,798	106,702
Passport	-	-	32,813	(32,813)
Auditor	702,200	702,200	569,159	133,041
License bureau	358,800	358,800	342,767	16,033
External audit	75,000	75,000	74,608	392
Assessor	479,800	479,800	442,430	37,370
Human resources	200,800	200,800	159,625	41,175
Data processing	976,800	751,800	851,572	(99,772)
Communications	-	7,500	941	6,559
Computer maintenance	-	-	8,393	(8,393)
GIS services	75,000	75,000	74,845	155
Elections	8,000	8,000	6,110	1,890
County attorney	1,299,400	1,299,400	1,303,056	(3,656)
County attorney's contingent	-	-	26,294	(26,294)
Recorder	434,100	434,100	399,334	34,766
Records management	73,400	73,400	88,378	(14,978)
Surveyor	111,300	111,300	99,546	11,754
Grounds maintenance building	42,500	42,500	23,246	19,254
Prairie Lakes Youth building	89,700	89,700	51,114	38,586
Courthouse	468,900	468,900	457,214	11,686
County office building	68,100	68,100	60,416	7,684
Veterans service	173,300	177,726	177,942	(216)
Planning and zoning	492,800	550,917	544,326	6,591
Other general government	826,200	826,200	1,170,011	(343,811)
<b>Total general government</b>	<b>\$ 7,688,000</b>	<b>\$ 7,533,043</b>	<b>\$ 7,498,027</b>	<b>\$ 35,016</b>

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

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 4,522,400	\$ 4,495,741	\$ 4,237,764	\$ 257,977
Safe and sober grant	40,000	40,000	47,840	(7,840)
Snowmobile patrol	4,800	4,800	8	4,792
800 MHZ (ARMER) radio system	-	301,624	50,927	250,697
Dispatch center	1,417,900	1,417,900	1,270,848	147,052
Boat and water safety enforcement	44,400	44,400	53,276	(8,876)
Coroner	79,000	79,000	129,852	(50,852)
County jail	4,157,900	4,398,560	4,474,844	(76,284)
Community corrections	2,257,900	2,262,500	2,219,338	43,162
Civil defense	231,200	308,053	225,937	82,116
Rescue squad	121,200	74,437	57,968	16,469
911 emergency telephone	-	398,328	22,929	375,399
Correctional facility building	790,200	790,200	762,998	27,202
Shelter house	37,100	37,100	37,100	-
<b>Total public safety</b>	<b>\$ 13,704,000</b>	<b>\$ 14,652,643</b>	<b>\$ 13,591,629</b>	<b>\$ 1,061,014</b>
<b>Health</b>				
Public health service	<b>\$ 2,407,700</b>	<b>\$ 2,411,858</b>	<b>\$ 2,331,445</b>	<b>\$ 80,413</b>
<b>Culture and recreation</b>				
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	325,200	325,200	395,317	(70,117)
Snowmobile trails	-	-	56,178	(56,178)
<b>Total culture and recreation</b>	<b>\$ 436,400</b>	<b>\$ 436,400</b>	<b>\$ 562,095</b>	<b>\$ (125,695)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 190,500	\$ 190,500	\$ 149,195	\$ 41,305
County extension - reimbursement programs	4,000	4,000	1,159	2,841
Soil and Water Conservation District	131,000	131,000	131,000	-
Extension programs	-	7,561	477	7,084
County extension youth programs	2,000	2,000	-	2,000
Public drainage	102,300	102,300	99,465	2,835
Prairie Woods Environmental Learning Center	130,900	130,900	130,900	-
Shorelands management project	6,800	13,553	6,573	6,980

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

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources     (Continued)</b>				
Septic loan program	-	-	292,451	(292,451)
Water planning	56,000	124,800	32,808	91,992
Feedlot program	64,800	119,162	65,458	53,704
Lakes	329,700	438,240	238,935	199,305
<b>Total conservation of natural     resources</b>	<b>\$ 1,018,000</b>	<b>\$ 1,264,016</b>	<b>\$ 1,148,421</b>	<b>\$ 115,595</b>
<b>Economic development</b>				
Tourism and economic development	\$ 13,000	\$ 13,000	\$ 2,336	\$ 10,664
Region 6E Community Action Agency	30,000	30,000	30,000	-
<b>Total economic development</b>	<b>\$ 43,000</b>	<b>\$ 43,000</b>	<b>\$ 32,336</b>	<b>\$ 10,664</b>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 233,818	\$ (233,818)
Interest	-	-	33,949	(33,949)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 267,767</b>	<b>\$ (267,767)</b>
<b>Total Expenditures</b>	<b>\$ 25,297,100</b>	<b>\$ 26,340,960</b>	<b>\$ 25,431,720</b>	<b>\$ 909,240</b>
<b>Excess of Revenues Over (Under)   Expenditures</b>	<b>\$ (1,385,800)</b>	<b>\$ (2,424,155)</b>	<b>\$ 1,826,040</b>	<b>\$ 4,250,195</b>
<b>Other Financing Sources (Uses)</b>				
Loans issued	-	-	302,569	302,569
<b>Net Change in Fund Balance</b>	<b>\$ (1,385,800)</b>	<b>\$ (2,424,155)</b>	<b>\$ 2,128,609</b>	<b>\$ 4,552,764</b>
<b>Fund Balance - January 1</b>	<b>13,988,656</b>	<b>13,988,656</b>	<b>13,988,656</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 12,602,856</b>	<b>\$ 11,564,501</b>	<b>\$ 16,117,265</b>	<b>\$ 4,552,764</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,737,549	\$ 4,737,549	\$ 4,737,859	\$ 310
Intergovernmental	9,429,451	9,429,451	9,314,979	(114,472)
Charges for services	400,000	400,000	416,853	16,853
Investment earnings	20,000	20,000	26,584	6,584
Miscellaneous	-	-	29,496	29,496
<b>Total Revenues</b>	<b>\$ 14,587,000</b>	<b>\$ 14,587,000</b>	<b>\$ 14,525,771</b>	<b>\$ (61,229)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ -	\$ -	\$ 690,394	\$ (690,394)
Road and bridge	3,651,441	3,651,441	2,184,492	1,466,949
Construction	10,075,000	10,075,000	9,572,626	502,374
Equipment maintenance shop	400,000	400,000	599,072	(199,072)
<b>Total highways and streets</b>	<b>\$ 14,126,441</b>	<b>\$ 14,126,441</b>	<b>\$ 13,046,584</b>	<b>\$ 1,079,857</b>
<b>Intergovernmental</b>				
Highways and streets	392,559	392,559	392,559	-
<b>Debt service</b>				
Principal	268,000	268,000	160,000	108,000
Interest	-	-	106,603	(106,603)
Administrative (fiscal) charges	-	-	872	(872)
<b>Total Expenditures</b>	<b>\$ 14,787,000</b>	<b>\$ 14,787,000</b>	<b>\$ 13,706,618</b>	<b>\$ 1,080,382</b>
<b>Net Change in Fund Balance</b>	<b>\$ (200,000)</b>	<b>\$ (200,000)</b>	<b>\$ 819,153</b>	<b>\$ 1,019,153</b>
<b>Fund Balance - January 1</b>	<b>5,455,702</b>	<b>5,455,702</b>	<b>5,455,702</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>(2,505)</b>	<b>(2,505)</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,255,702</b>	<b>\$ 5,255,702</b>	<b>\$ 6,272,350</b>	<b>\$ 1,016,648</b>



**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 6,440,631	\$ 6,440,631	\$ 6,337,769	\$ (102,862)
Intergovernmental	7,878,117	7,878,117	8,844,771	966,654
Charges for services	755,700	755,700	828,979	73,279
Gifts and contributions	-	-	238	238
Miscellaneous	256,900	256,900	392,534	135,634
<b>Total Revenues</b>	<b>\$ 15,331,348</b>	<b>\$ 15,331,348</b>	<b>\$ 16,404,291</b>	<b>\$ 1,072,943</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 4,219,500	\$ 4,219,500	\$ 4,474,920	\$ (255,420)
Social services	11,111,900	11,111,900	11,232,036	(120,136)
<b>Total Expenditures</b>	<b>\$ 15,331,400</b>	<b>\$ 15,331,400</b>	<b>\$ 15,706,956</b>	<b>\$ (375,556)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (52)</b>	<b>\$ (52)</b>	<b>\$ 697,335</b>	<b>\$ 697,387</b>
<b>Fund Balance - January 1</b>	<b>4,709,846</b>	<b>4,709,846</b>	<b>4,709,846</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,709,794</b>	<b>\$ 4,709,794</b>	<b>\$ 5,407,181</b>	<b>\$ 697,387</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE  
SANITARY LANDFILL/RECYCLING CENTER SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)
Special assessments	-	-	236,000	236,000
Licenses and permits	-	-	1,100	1,100
Intergovernmental	104,000	104,000	132,408	28,408
Charges for services	3,033,000	3,033,000	3,725,305	692,305
Investment earnings	20,000	20,000	319,624	299,624
Miscellaneous	495,000	495,000	504,559	9,559
<b>Total Revenues</b>	<b>\$ 3,682,000</b>	<b>\$ 3,682,000</b>	<b>\$ 4,918,996</b>	<b>\$ 1,236,996</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	<u>3,159,200</u>	<u>3,159,200</u>	<u>2,695,923</u>	<u>463,277</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>\$ 522,800</u>	<u>\$ 522,800</u>	<u>\$ 2,223,073</u>	<u>\$ 1,700,273</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 196,000	\$ -	\$ -	\$ -
Transfers out	<u>(196,000)</u>	<u>(196,000)</u>	<u>-</u>	<u>196,000</u>
<b>Total Other Financing Sources (Uses)</b>	<u>\$ -</u>	<u>\$ (196,000)</u>	<u>\$ -</u>	<u>\$ 196,000</u>
<b>Net Change in Fund Balance</b>	<b>\$ 522,800</b>	<b>\$ 326,800</b>	<b>\$ 2,223,073</b>	<b>\$ 1,896,273</b>
<b>Fund Balance - January 1</b>	<u>11,991,477</u>	<u>11,991,477</u>	<u>11,991,477</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 12,514,277</u></u>	<u><u>\$ 12,318,277</u></u>	<u><u>\$ 14,214,550</u></u>	<u><u>\$ 1,896,273</u></u>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT A-5*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 373,185	\$ 373,185	\$ 367,717	\$ (5,468)
Intergovernmental	22,815	22,815	30,970	8,155
Investment earnings	-	-	49,379	49,379
Miscellaneous	-	-	230,821	230,821
<b>Total Revenues</b>	<b><u>\$ 396,000</u></b>	<b><u>\$ 396,000</u></b>	<b><u>\$ 678,887</u></b>	<b><u>\$ 282,887</u></b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 155,000	\$ 155,000	\$ 166,155	\$ (11,155)
Public safety	10,000	10,000	-	10,000
Culture and recreation	205,000	205,000	130,056	74,944
Conservation of natural resources	26,000	26,000	31,190	(5,190)
<b>Total Expenditures</b>	<b><u>\$ 396,000</u></b>	<b><u>\$ 396,000</u></b>	<b><u>\$ 327,401</u></b>	<b><u>\$ 68,599</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 351,486</u></b>	<b><u>\$ 351,486</u></b>
<b>Fund Balance - January 1</b>	<b><u>5,774,693</u></b>	<b><u>5,774,693</u></b>	<b><u>5,774,693</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 5,774,693</u></u></b>	<b><u><u>\$ 5,774,693</u></u></b>	<b><u><u>\$ 6,126,179</u></u></b>	<b><u><u>\$ 351,486</u></u></b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT A-6*

**SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2015**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
January 1, 2010	\$ -	\$ 1,753,622	\$ 1,753,622	0.00%	\$ 20,734,186	8.46%
January 1, 2012	-	1,651,891	1,651,891	0.00	19,168,849	8.62
January 1, 2014	-	1,583,576	1,583,576	0.00	20,520,151	7.72

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT A-7*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2015**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.2860%	\$ 14,822,004	\$ 16,807,514	88.19%	78.19%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT A-8*

**SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2015**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b-a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2015	\$ 1,277,192	\$ 1,277,374	\$ 182	\$ 17,029,220	7.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT A-9*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND  
DECEMBER 31, 2015**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Employee Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.261%	\$ 2,965,571	\$ 2,383,722	124.41%	86.61%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT A-10*

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND  
DECEMBER 31, 2015**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b-a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2015	\$ 393,580	\$ 393,582	\$ 2	\$ 2,429,504	16.20%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT A-11*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND  
DECEMBER 31, 2015**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	1.33%	\$ 205,618	\$ 2,386,041	8.62%	96.95%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT A-12*

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND  
DECEMBER 31, 2015**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b-a)</b>	<b>Covered Employee Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2015	\$ 219,246	\$ 219,246	\$ -	\$ 2,505,667	8.75%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2015

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 County 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 the individual major fund that had expenditures in excess of budget for the year ended December 31, 2015:

	Expenditures	Final Budget	Excess
Human Services Special Revenue Fund	\$ 15,706,956	\$ 15,331,400	\$ 375,556

3. Other Postemployment Benefits Funded Status

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the accrued liability for postemployment benefits is zero. Three actuarial valuations are now available, which provides sufficient trend analysis to meet the three valuation funding status requirement.

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

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**SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

DARE Fund - to account for funds used by the County to sponsor its Drug Abuse Resistance Education (DARE) program. Financing is provided by fines and forfeits.

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

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

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

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2015**

	<u>Capital Equipment</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>	<u>Green Lake Sewer</u>
<b><u>Assets</u></b>				
Cash and investments	\$ 3,666,245	\$ 59,502	\$ 277,942	\$ 1,805,869
Taxes receivable				
Delinquent	13,840	-	-	-
Special assessments receivable				
Delinquent	-	5,802	-	-
Noncurrent	-	454,839	-	-
Accounts receivable	-	827	318,558	206,073
Accrued interest receivable	355	-	563	-
Due from other funds	-	14,983	-	-
Due from other governments	-	120,238	-	132,070
<b>Total Assets</b>	<b>\$ 3,680,440</b>	<b>\$ 656,191</b>	<b>\$ 597,063</b>	<b>\$ 2,144,012</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 111,448	\$ 96	\$ 90,860
Salaries payable	-	-	128	13,290
Due to other funds	-	6,756	-	3,827
Due to other governments	-	-	10	2,141
Advance from other funds	-	-	-	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 118,204</b>	<b>\$ 234</b>	<b>\$ 110,118</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	<b>\$ 10,889</b>	<b>\$ 596,255</b>	<b>\$ 317,688</b>	<b>\$ 187,169</b>



**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>
\$ 240,921	\$ 46,170	\$ 840,708	\$ 44,356	\$ 1,256	\$ 6,982,969
5,944	-	11,814	-	-	31,598
-	-	-	-	-	5,802
-	-	-	-	-	454,839
-	-	-	-	-	525,458
-	-	-	-	-	918
-	-	14,689	-	-	29,672
-	1,914	-	-	-	254,222
<b><u>\$ 246,865</u></b>	<b><u>\$ 48,084</u></b>	<b><u>\$ 867,211</u></b>	<b><u>\$ 44,356</u></b>	<b><u>\$ 1,256</u></b>	<b><u>\$ 8,285,478</u></b>
\$ 2,171	\$ -	\$ 8,642	\$ 154	\$ 31,497	\$ 244,868
1,595	-	9,797	-	4,268	29,078
1,000	-	297	-	234	12,114
9,121	3,273	24,074	44,202	329	83,150
-	-	-	-	190,633	190,633
<b><u>\$ 13,887</u></b>	<b><u>\$ 3,273</u></b>	<b><u>\$ 42,810</u></b>	<b><u>\$ 44,356</u></b>	<b><u>\$ 226,961</u></b>	<b><u>\$ 559,843</u></b>
<b><u>\$ 4,842</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,407</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,126,250</u></b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2015**

	<b>Capital Equipment</b>	<b>Ditch</b>	<b>Eagle Lake Sewer</b>	<b>Green Lake Sewer</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>				
(Continued)				
<b>Fund Balances</b>				
Restricted for				
Ditch maintenance and repairs	\$ -	\$ 405,914	\$ -	\$ -
Committed to				
Purchases of capital equipment	3,669,551	-	-	-
Eagle Lake Sewer	-	-	279,141	-
Green Lake Sewer	-	-	-	1,846,725
Library operations and building maintenance	-	-	-	-
DARE program	-	-	-	-
Health and Human Services building operations and maintenance	-	-	-	-
Unassigned	-	(464,182)	-	-
<b>Total Fund Balances</b>	<b>\$ 3,669,551</b>	<b>\$ (58,268)</b>	<b>\$ 279,141</b>	<b>\$ 1,846,725</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,680,440</b>	<b>\$ 656,191</b>	<b>\$ 597,063</b>	<b>\$ 2,144,012</b>

**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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 405,914
-	-	-	-	-	3,669,551
-	-	-	-	-	279,141
-	-	-	-	-	1,846,725
228,136	-	-	-	-	228,136
-	44,811	-	-	-	44,811
-	-	814,994	-	-	814,994
-	-	-	-	(225,705)	(689,887)
<u>\$ 228,136</u>	<u>\$ 44,811</u>	<u>\$ 814,994</u>	<u>\$ -</u>	<u>\$ (225,705)</u>	<u>\$ 6,599,385</u>
<u>\$ 246,865</u>	<u>\$ 48,084</u>	<u>\$ 867,211</u>	<u>\$ 44,356</u>	<u>\$ 1,256</u>	<u>\$ 8,285,478</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, 2015**

	<u>Capital Equipment</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>	<u>Green Lake Sewer</u>
<b>Revenues</b>				
Taxes	\$ 1,014,801	\$ -	\$ -	\$ -
Special assessments	-	515,660	2,000	-
Licenses and permits	-	-	-	-
Intergovernmental	68,249	-	-	9,790
Charges for services	-	-	302,595	954,544
Fines and forfeits	-	-	-	-
Investment earnings	104,947	-	1,034	-
Miscellaneous	-	-	-	327,220
<b>Total Revenues</b>	<b>\$ 1,187,997</b>	<b>\$ 515,660</b>	<b>\$ 305,629</b>	<b>\$ 1,291,554</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 222,070	\$ -	\$ -	\$ -
Public safety	191,929	-	-	-
Highways and streets	757,248	-	-	-
Sanitation	-	-	285,671	1,137,098
Culture and recreation	-	-	-	-
Conservation of natural resources	-	695,436	-	-
<b>Intergovernmental</b>				
Culture and recreation	-	-	-	-
<b>Debt service</b>				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 1,171,247</b>	<b>\$ 695,436</b>	<b>\$ 285,671</b>	<b>\$ 1,137,098</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 16,750</b>	<b>\$ (179,776)</b>	<b>\$ 19,958</b>	<b>\$ 154,456</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ -	\$ 22,788
Transfers out	-	-	-	(10,203)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,585</b>
<b>Net Change in Fund Balance</b>	<b>\$ 16,750</b>	<b>\$ (179,776)</b>	<b>\$ 19,958</b>	<b>\$ 167,041</b>
<b>Fund Balance - January 1</b>	<b>3,652,801</b>	<b>121,508</b>	<b>259,183</b>	<b>1,679,684</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,669,551</b>	<b>\$ (58,268)</b>	<b>\$ 279,141</b>	<b>\$ 1,846,725</b>

**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>
\$ 413,924	\$ -	\$ 808,561	\$ -	\$ -	\$ 2,237,286
-	-	-	-	-	517,660
-	-	64,669	-	-	64,669
117,348	-	54,158	-	-	249,545
-	-	-	-	-	1,257,139
-	29,803	-	-	-	29,803
-	-	-	-	-	105,981
37,209	-	543,515	46,123	874,389	1,828,456
<b>\$ 568,481</b>	<b>\$ 29,803</b>	<b>\$ 1,470,903</b>	<b>\$ 46,123</b>	<b>\$ 874,389</b>	<b>\$ 6,290,539</b>
\$ -	\$ -	\$ 639,631	\$ 46,123	\$ 349,333	\$ 1,257,157
-	19,023	-	-	-	210,952
-	-	-	-	-	757,248
-	-	-	-	-	1,422,769
201,810	-	-	-	-	201,810
-	-	-	-	-	695,436
363,300	-	-	-	-	363,300
-	-	-	-	393,689	393,689
-	-	-	-	77,595	77,595
<b>\$ 565,110</b>	<b>\$ 19,023</b>	<b>\$ 639,631</b>	<b>\$ 46,123</b>	<b>\$ 820,617</b>	<b>\$ 5,379,956</b>
<b>\$ 3,371</b>	<b>\$ 10,780</b>	<b>\$ 831,272</b>	<b>\$ -</b>	<b>\$ 53,772</b>	<b>\$ 910,583</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,788
-	-	(631,910)	-	-	(642,113)
<b>\$ -</b>	<b>\$ -</b>	<b>\$ (631,910)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (619,325)</b>
\$ 3,371	\$ 10,780	\$ 199,362	\$ -	\$ 53,772	\$ 291,258
224,765	34,031	615,632	-	(279,477)	6,308,127
<b>\$ 228,136</b>	<b>\$ 44,811</b>	<b>\$ 814,994</b>	<b>\$ -</b>	<b>\$ (225,705)</b>	<b>\$ 6,599,385</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT B-3*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL EQUIPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,035,993	\$ 1,035,993	\$ 1,014,801	\$ (21,192)
Intergovernmental	63,607	63,607	68,249	4,642
Investment earnings	-	-	104,947	104,947
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Revenues</b>	<b>\$ 1,099,600</b>	<b>\$ 1,099,600</b>	<b>\$ 1,187,997</b>	<b>\$ 88,397</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ -	\$ -	\$ 222,070	\$ (222,070)
Public safety	-	-	191,929	(191,929)
Highways and streets	-	-	757,248	(757,248)
Sanitation	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,171,247</b>	<b>\$ (1,171,247)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,099,600</b>	<b>\$ 1,099,600</b>	<b>\$ 16,750</b>	<b>\$ (1,082,850)</b>
<b>Fund Balance - January 1</b>	<b><u>3,652,801</u></b>	<b><u>3,652,801</u></b>	<b><u>3,652,801</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 4,752,401</u></u></b>	<b><u><u>\$ 4,752,401</u></u></b>	<b><u><u>\$ 3,669,551</u></u></b>	<b><u><u>\$ (1,082,850)</u></u></b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT B-4*

**BUDGETARY COMPARISON SCHEDULE  
GREEN LAKE SEWER SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 9,790	\$ 9,790
Charges for services	969,200	969,200	954,544	(14,656)
Miscellaneous	298,600	298,600	327,220	28,620
<b>Total Revenues</b>	<b>\$ 1,267,800</b>	<b>\$ 1,267,800</b>	<b>\$ 1,291,554</b>	<b>\$ 23,754</b>
<b>Expenditures</b>				
<b>Current</b>				
Sanitation	1,209,600	(114,500)	1,137,098	(1,251,598)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 58,200</b>	<b>\$ 1,382,300</b>	<b>\$ 154,456</b>	<b>\$ (1,227,844)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 17,800	\$ 17,800	\$ 22,788	\$ 4,988
Transfers out	-	-	(10,203)	(10,203)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 17,800</b>	<b>\$ 17,800</b>	<b>\$ 12,585</b>	<b>\$ (5,215)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 76,000</b>	<b>\$ 1,400,100</b>	<b>\$ 167,041</b>	<b>\$ (1,233,059)</b>
<b>Fund Balance - January 1</b>	<b>1,679,684</b>	<b>1,679,684</b>	<b>1,679,684</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,755,684</b>	<b>\$ 3,079,784</b>	<b>\$ 1,846,725</b>	<b>\$ (1,233,059)</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT B-5*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 406,159	\$ 406,159	\$ 413,924	\$ 7,765
Intergovernmental	123,041	123,041	117,348	(5,693)
Miscellaneous	37,200	37,200	37,209	9
<b>Total Revenues</b>	<b>\$ 566,400</b>	<b>\$ 566,400</b>	<b>\$ 568,481</b>	<b>\$ 2,081</b>
<b>Expenditures</b>				
<b>Current</b>				
Culture and recreation	\$ 203,100	\$ 203,100	\$ 201,810	\$ 1,290
<b>Intergovernmental</b>				
Culture and recreation	363,300	363,300	363,300	-
<b>Total Expenditures</b>	<b>\$ 566,400</b>	<b>\$ 566,400</b>	<b>\$ 565,110</b>	<b>\$ 1,290</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,371</b>	<b>\$ 3,371</b>
<b>Fund Balance - January 1</b>	<b>224,765</b>	<b>224,765</b>	<b>224,765</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 224,765</b>	<b>\$ 224,765</b>	<b>\$ 228,136</b>	<b>\$ 3,371</b>



**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT B-6*

**BUDGETARY COMPARISON SCHEDULE  
HEALTH AND HUMAN SERVICES BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 817,688	\$ 817,688	\$ 808,561	\$ (9,127)
Licenses and permits	-	-	64,669	64,669
Intergovernmental	50,012	50,012	54,158	4,146
Miscellaneous	485,600	485,600	543,515	57,915
<b>Total Revenues</b>	<b>\$ 1,353,300</b>	<b>\$ 1,353,300</b>	<b>\$ 1,470,903</b>	<b>\$ 117,603</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	721,390	721,390	639,631	81,759
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 631,910</b>	<b>\$ 631,910</b>	<b>\$ 831,272</b>	<b>\$ 199,362</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(631,910)	(631,910)	(631,910)	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 199,362</b>	<b>\$ 199,362</b>
<b>Fund Balance - January 1</b>	<b>615,632</b>	<b>615,632</b>	<b>615,632</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 615,632</b>	<b>\$ 615,632</b>	<b>\$ 814,994</b>	<b>\$ 199,362</b>

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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, 2015**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>Assets</u></b>				
Cash and investments	\$ 1,357,349	\$ 56,422,387	\$ 56,669,711	\$ 1,110,025
<b><u>Liabilities</u></b>				
Due to other governments	\$ 1,357,349	\$ 56,422,387	\$ 56,669,711	\$ 1,110,025

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## **OTHER SCHEDULES**

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2015**

	Assets						Total Assets
	Treasurer's Cash	Special Assessments Receivable		Accounts Receivable	Due From Other Funds	Due From Other Governments	
	Balance	Delinquent	Noncurrent				
<b>County Ditches</b>							
#1	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	1
#4 M & K	(286)	1,284	1,228	-	64	45	2,335
#7	(1,894)	-	-	-	-	-	(1,894)
#7 Rep D	7,509	-	-	-	-	-	7,509
#8	(25,747)	48	23,785	-	158	932	(824)
#8A	1,991	-	-	-	-	-	1,991
#8 Lat A	57	-	-	-	-	-	57
#8 Lat B	34	-	-	-	-	-	34
#9	3,530	-	1,180	-	12	3	4,725
#9 Lat 1 Br A	22,576	-	-	-	-	-	22,576
#10 Impr C	12,000	3	11,634	84	274	3,457	27,452
#12	403	-	1,872	4	91	333	2,703
#15	35	-	1,060	-	-	-	1,095
#16A	8,708	-	19,574	-	2,146	3,353	33,781
#18A	1,289	520	-	-	-	617	2,426
#19	6,723	-	3,316	4	74	746	10,863
#20	798	-	983	-	35	-	1,816
#23	(25,662)	-	-	-	-	-	(25,662)
#23A	260	2,520	20,690	60	518	28,212	52,260
#24A	(5,951)	-	12,046	2	1,065	2,579	9,741
#24A Lat G	1,832	-	-	-	-	-	1,832
#24A Lat H	3,337	-	-	-	-	-	3,337
#24A Lat H-1	1,262	-	-	-	-	-	1,262
#24A Lat J	1,611	-	-	-	-	-	1,611
#26	(31,975)	-	16,994	-	850	-	(14,131)
#27	1,146	-	6,865	-	88	42	8,141
#28	2,312	-	-	-	-	150	2,462
#28 Impr Br 7	705	-	-	-	-	-	705
#28 Lat A Br 4	7,283	-	-	-	-	-	7,283
#28 Impr Br 5	119	-	7,813	-	756	-	8,688
#29	(40,112)	-	40,309	-	614	961	1,772
#31 Impr	(20,744)	-	19,833	(20,744)	10	-	(901)
#31 Lat A of Br 10 of Lat 10	(262)	-	-	-	-	-	(262)
#31 Lat A of Br 2 of Lat 10	11,304	-	-	-	-	-	11,304
#34	1,790	-	-	-	-	-	1,790
#37	3,298	544	995	-	1	18	4,856
#38	1,817	-	-	-	61	39	1,917
#40	(4,491)	-	1,764	-	87	262	(2,378)
#42	163	-	7,524	-	-	-	7,687
#45	164	-	334	-	-	-	498
#46	33,018	-	-	-	-	42	33,060
#47	1,874	87	36,384	196	679	1,135	40,355
#48	4,989	-	-	-	-	-	4,989
#50	519	-	-	-	-	-	519
#51	1,860	-	4,009	-	166	72	6,107
#51 Lat A-1	1,828	-	1,290	-	-	70	3,188
#52	4,903	-	-	-	-	-	4,903
#52 Lat A	(123,464)	-	-	-	-	-	(123,464)
#54	487	-	-	-	-	-	487
#54 Impr	24,945	-	-	-	-	-	24,945
#55	745	98	310	21	9	462	1,645
#56	2,564	-	-	-	-	-	2,564



**EXHIBIT D-1**

Accounts Payables	Liabilities		Deferred Inflows of Resources Unavailable Revenue	Fund Balance			Total Liabilities, Deferred Inflows of Resources, and Fund Balances
	Due to Other Funds	Total Liabilities		Restricted for Ditch Maintenance and Repairs	Unassigned	Total Fund Balances	
\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ 1
-	-	-	2,621	-	(286)	(286)	2,335
-	-	-	-	-	(1,894)	(1,894)	(1,894)
-	-	-	-	7,509	-	7,509	7,509
4,090	326	4,416	24,923	-	(30,163)	(30,163)	(824)
-	-	-	-	1,991	-	1,991	1,991
-	-	-	-	57	-	57	57
-	-	-	-	34	-	34	34
-	-	-	1,195	3,530	-	3,530	4,725
-	-	-	-	22,576	-	22,576	22,576
-	149	149	15,452	11,851	-	11,851	27,452
-	-	-	2,300	403	-	403	2,703
-	-	-	1,060	35	-	35	1,095
5,795	-	5,795	25,073	2,913	-	2,913	33,781
-	-	-	1,137	1,289	-	1,289	2,426
-	-	-	4,140	6,723	-	6,723	10,863
-	-	-	1,018	798	-	798	1,816
-	-	-	-	-	(25,662)	(25,662)	(25,662)
8,248	188	8,436	51,797	-	(7,973)	(7,973)	52,260
-	-	-	15,692	-	(5,951)	(5,951)	9,741
-	-	-	-	1,832	-	1,832	1,832
-	-	-	-	3,337	-	3,337	3,337
-	-	-	-	1,262	-	1,262	1,262
-	-	-	-	1,611	-	1,611	1,611
-	-	-	17,844	-	(31,975)	(31,975)	(14,131)
-	-	-	6,995	1,146	-	1,146	8,141
2,274	-	2,274	150	38	-	38	2,462
-	-	-	-	705	-	705	705
-	-	-	-	7,283	-	7,283	7,283
-	-	-	8,569	119	-	119	8,688
-	-	-	41,884	-	(40,112)	(40,112)	1,772
3,181	-	3,181	19,843	-	(23,925)	(23,925)	(901)
-	-	-	-	-	(262)	(262)	(262)
-	-	-	-	11,304	-	11,304	11,304
-	-	-	-	1,790	-	1,790	1,790
350	-	350	1,558	2,948	-	2,948	4,856
-	-	-	100	1,817	-	1,817	1,917
7,820	-	7,820	2,113	-	(12,311)	(12,311)	(2,378)
-	-	-	7,524	163	-	163	7,687
-	-	-	334	164	-	164	498
8,527	-	8,527	42	24,491	-	24,491	33,060
29,565	-	29,565	38,480	-	(27,690)	(27,690)	40,355
-	-	-	-	4,989	-	4,989	4,989
-	-	-	-	519	-	519	519
-	-	-	4,247	1,860	-	1,860	6,107
-	-	-	1,360	1,828	-	1,828	3,188
-	-	-	-	4,903	-	4,903	4,903
-	-	-	-	-	(123,464)	(123,464)	(123,464)
-	-	-	-	487	-	487	487
-	-	-	-	24,945	-	24,945	24,945
-	-	-	888	757	-	757	1,645
-	-	-	-	2,564	-	2,564	2,564

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2015**

	Assets						Total Assets
	Treasurer's Cash	Special Assessments Receivable		Accounts Receivable	Due From Other Funds	Due From Other Governments	
	Balance	Delinquent	Noncurrent				
<b>County Ditches (Continued)</b>							
#58	3,482	21	3,097	8	98	250	6,956
#60	(8,603)	-	6,668	-	118	500	(1,317)
#61	1,323	-	-	-	-	-	1,323
#62	(433)	-	1,156	-	60	25	808
#63	(3,268)	-	4,971	-	174	184	2,061
#64	(4,284)	-	9,970	-	338	144	6,168
#65	789	-	2,487	-	-	22	3,298
<b>State Ditch</b>							
#1 Impr Div 2	1,583	12	821	-	48	8	2,472
<b>Judicial Ditches</b>							
#1 M & K (Rep F)	25,368	267	4,386	-	77	612	30,710
#1 Lat A, M & K	92	-	543	-	1	58	694
#1 Lat, M & K	32,445	-	39,157	-	-	-	71,602
#1 Lat B, M & K	4,934	133	-	-	-	115	5,182
#1 Lat A of Lat B, M & K	1,829	-	496	-	13	14	2,352
#1 Br 4 of Lat B, M & K	1,516	-	-	-	-	-	1,516
#1 Lat C, M & K	1,291	-	614	-	32	2,374	4,311
#1 Lat D, M & K	383	-	-	-	-	-	383
#1 Lat E, M & K	3,669	-	1,004	-	15	178	4,866
#1 Br 2 of Lat F, M & K	11,411	-	-	-	-	-	11,411
#1 Lat G, M & K	1,501	-	-	-	-	-	1,501
#2 R & K	(10,029)	-	15,020	-	385	3,352	8,728
#2 Lat 3, R & K	1,480	-	-	-	-	-	1,480
#2 Lat 4, R & K	1,239	-	350	-	47	36	1,672
#2 Lat A of Lat 4, R & K	872	-	442	-	24	7	1,345
#2 Lat 5, R & K	2,259	-	9,209	-	1,818	48	13,334
#2 Lat 7, R & K	22	-	-	-	-	-	22
#2 Lat 8, R & K	1,180	-	-	-	-	-	1,180
#2 C & K	(32,985)	72	41,798	278	766	38,276	48,205
#2 St & K	770	-	428	-	67	151	1,416
#3 Lat B, K & C	1,753	-	812	-	34	67	2,666
#3 Lat A of Lat B, K & C	6,697	-	-	-	-	-	6,697
#3 Lat C, C & K	6,846	-	-	-	-	1	6,847
#3 Lat D, C & K	45,500	-	-	-	-	873	46,373
#3 Impr Br 5 & 6, C & K	810	-	1,475	-	54	6	2,345
#3 Impr Br 7 & 8, C & K	(20,624)	-	18,043	-	-	1,325	(1,256)
#3 Impr Br 9, C & K	1,680	-	-	-	-	-	1,680
#3 Impr Br 10, C & K	17	-	-	-	-	-	17
#3 Br 10 of Lat A, C & K	304	-	-	-	-	43	347
#3 St & K	(679)	-	1,928	-	-	1,153	2,402
#3 Rep A, St & K	2,047	-	-	-	-	-	2,047
#7 C, K & R & Rep F	7,031	93	5,551	39	664	12,364	25,742
#7 Lat A, C, K & R	11,830	99	3,397	-	343	388	16,057
#7 Lat B, C, K & R	(1,766)	-	815	-	146	878	73
#7 Lat E, C, K & R	(2,421)	-	11,759	25	386	763	10,512

**EXHIBIT D-1**  
**(Continued)**

Accounts Payables	Liabilities		Deferred Inflows of Resources Unavailable Revenue	Fund Balance			Total Liabilities, Deferred Inflows of Resources, and Fund Balances
	Due to Other Funds	Total Liabilities		Restricted for Ditch Maintenance and Repairs	Unassigned	Total Fund Balances	
-	-	-	3,452	3,504	-	3,504	6,956
3,004	-	3,004	7,286	-	(11,607)	(11,607)	(1,317)
-	-	-	-	1,323	-	1,323	1,323
-	-	-	1,241	-	(433)	(433)	808
-	-	-	5,329	-	(3,268)	(3,268)	2,061
843	1,397	2,240	10,452	-	(6,524)	(6,524)	6,168
101	3,723	3,824	2,509	-	(3,035)	(3,035)	3,298
-	-	-	877	1,595	-	1,595	2,472
-	-	-	5,201	25,509	-	25,509	30,710
-	-	-	602	92	-	92	694
-	-	-	39,157	32,445	-	32,445	71,602
-	-	-	248	4,934	-	4,934	5,182
-	-	-	523	1,829	-	1,829	2,352
-	-	-	-	1,516	-	1,516	1,516
-	-	-	3,020	1,291	-	1,291	4,311
-	-	-	-	383	-	383	383
-	-	-	1,197	3,669	-	3,669	4,866
-	-	-	-	11,411	-	11,411	11,411
-	-	-	-	1,501	-	1,501	1,501
4,928	-	4,928	18,757	-	(14,957)	(14,957)	8,728
-	-	-	-	1,480	-	1,480	1,480
-	-	-	433	1,239	-	1,239	1,672
-	-	-	473	872	-	872	1,345
-	-	-	11,075	2,259	-	2,259	13,334
-	-	-	-	22	-	22	22
-	-	-	-	1,180	-	1,180	1,180
-	-	-	81,190	-	(32,985)	(32,985)	48,205
-	-	-	646	770	-	770	1,416
-	-	-	913	1,753	-	1,753	2,666
-	-	-	-	6,697	-	6,697	6,697
-	-	-	1	6,846	-	6,846	6,847
-	-	-	873	45,500	-	45,500	46,373
-	-	-	1,535	810	-	810	2,345
-	289	289	19,368	-	(20,913)	(20,913)	(1,256)
-	-	-	-	1,680	-	1,680	1,680
-	-	-	-	17	-	17	17
-	-	-	43	304	-	304	347
250	-	250	3,081	-	(929)	(929)	2,402
-	-	-	-	2,047	-	2,047	2,047
29,684	496	30,180	18,668	-	(23,106)	(23,106)	25,742
-	-	-	4,227	11,830	-	11,830	16,057
-	188	188	1,839	-	(1,954)	(1,954)	73
-	-	-	12,933	-	(2,421)	(2,421)	10,512

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2015**

	Assets						Total Assets
	Treasurer's Cash	Special Assessments Receivable		Accounts Receivable	Due From Other Funds	Due From Other Governments	
	Balance	Delinquent	Noncurrent				
<b>Judicial Ditches (Continued)</b>							
#10 R & K	(17)	-	-	-	-	-	(17)
#11 K & M R/B	3,280	-	2,039	-	171	580	6,070
#16 R & K	12,408	-	1,115	-	66	188	13,777
#17 M & K	5,918	-	784	3	90	3,637	10,432
#17 Rep A, M & K	4,174	-	-	-	-	-	4,174
#17 Br 4 of Lat A, M & K	461	-	-	-	-	-	461
#17 Br 4 of Lat B, M & K	6,600	-	-	-	-	-	6,600
#18 Sw, K & C	(2,675)	-	-	-	-	6,869	4,194
#18 Sw, K & C R/B	(6,756)	-	15,923	103	449	-	9,719
#18 M & K	1,961	-	-	-	-	611	2,572
#18 Lat A, M & K	2,452	-	-	-	-	-	2,452
#18 Lat C, M & K	27,829	-	-	-	-	487	28,316
#19 Sw & K	261	-	216	-	-	-	477
#21 R, C & K	249	-	-	-	-	-	249
#21 Sw, K & C	1,619	-	6,571	-	741	121	9,052
#29 Rep B, R, M & K	(87)	-	2	-	-	-	(85)
#52 691/695	-	-	-	-	-	-	-
Rinke Noonan Attorney	1,764	-	-	-	-	-	1,764
	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 59,502</b>	<b>\$ 5,802</b>	<b>\$ 454,839</b>	<b>\$ 827</b>	<b>\$ 14,983</b>	<b>\$ 120,238</b>	<b>\$ 656,191</b>

**EXHIBIT D-1**  
**(Continued)**

Accounts Payables	Liabilities		Deferred Inflows of Resources Unavailable Revenue	Fund Balance			Total Liabilities, Deferred Inflows of Resources, and Fund Balances
	Due to Other Funds	Total Liabilities		Restricted for Ditch Maintenance and Repairs	Unassigned	Total Fund Balances	
-	-	-	-	-	(17)	(17)	(17)
-	-	-	2,790	3,280	-	3,280	6,070
1,941	-	1,941	1,369	10,467	-	10,467	13,777
-	-	-	4,514	5,918	-	5,918	10,432
-	-	-	-	4,174	-	4,174	4,174
-	-	-	-	461	-	461	461
-	-	-	-	6,600	-	6,600	6,600
13	-	13	6,869	-	(2,688)	(2,688)	4,194
-	-	-	16,475	-	(6,756)	(6,756)	9,719
-	-	-	611	1,961	-	1,961	2,572
-	-	-	-	2,452	-	2,452	2,452
-	-	-	487	27,829	-	27,829	28,316
-	-	-	216	261	-	261	477
-	-	-	-	249	-	249	249
-	-	-	7,433	1,619	-	1,619	9,052
98	-	98	2	-	(185)	(185)	(85)
736	-	736	-	-	(736)	(736)	-
-	-	-	-	1,764	-	1,764	1,764
<b>\$ 111,448</b>	<b>\$ 6,756</b>	<b>\$ 118,204</b>	<b>\$ 596,255</b>	<b>\$ 405,914</b>	<b>\$ (464,182)</b>	<b>\$ (58,268)</b>	<b>\$ 656,191</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

*EXHIBIT D-2*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Total Primary Government</u>	<u>Housing and Redevelopment Authority Component Unit</u>
<b>Shared Revenue</b>		
<b>State</b>		
Highway users tax	\$ 6,871,118	\$ -
County program aid	1,734,517	-
PERA rate reimbursement	73,608	-
Disparity reduction aid	18,375	-
Police aid	256,549	-
Enhanced 911	122,728	-
Local performance aid	5,916	-
SCORE	126,302	-
Aquatic invasive species aid	256,937	-
Market value credit	431,354	-
	<hr/>	<hr/>
<b>Total shared revenue</b>	<b>\$ 9,897,404</b>	<b>\$ -</b>
<b>Reimbursement for Services</b>		
<b>State</b>		
Minnesota Department of Human Services	\$ 1,759,022	\$ -
Minnesota Department of Transportation	40,310	-
	<hr/>	<hr/>
<b>Total payments</b>	<b>\$ 1,799,332</b>	<b>\$ -</b>
<b>Payments</b>		
<b>Local</b>		
Payments in lieu of taxes	\$ 371,076	\$ -
Local	97,633	-
	<hr/>	<hr/>
<b>Total payments</b>	<b>\$ 468,709</b>	<b>\$ -</b>
<b>Grants</b>		
<b>State</b>		
Minnesota Department/Board of		
Public Safety	\$ 12,806	\$ -
Health	314,303	-
Natural Resources	65,214	-
Human Services	3,299,836	-
Veterans Affairs	10,000	-
Corrections	700,322	-
Water and Soil Resources	754,540	-
Transportation	52,396	-
Peace Officer Standards and Training Board	10,998	-
Pollution Control Agency	44,006	-
	<hr/>	<hr/>
<b>Total state</b>	<b>\$ 5,264,421</b>	<b>\$ -</b>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Total Primary Government</b>	<b>Housing and Redevelopment Authority Component Unit</b>
	<u>                    </u>	<u>                    </u>
<b>Grants (Continued)</b>		
<b>Federal</b>		
Department of		
Agriculture	\$ 771,823	\$ -
Housing and Urban Development	-	1,914,409
Justice	48,952	-
Transportation	2,140,197	-
Education	3,255	-
Health and Human Services	3,510,079	-
Homeland Security	74,034	-
	<u>                    </u>	<u>                    </u>
<b>Total federal</b>	<b>\$ 6,548,340</b>	<b>\$ 1,914,409</b>
	<u>                    </u>	<u>                    </u>
<b>Total state and federal grants</b>	<b>\$ 11,812,761</b>	<b>\$ 1,914,409</b>
	<u>                    </u>	<u>                    </u>
<b>Total Intergovernmental Revenue</b>	<b>\$ 23,978,206</b>	<b>\$ 1,914,409</b>
	<u>                    </u>	<u>                    </u>

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**EXHIBIT D-3**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Direct			
Conservation Reserve Program	10.069	N/A	\$ 12,342
Passed Through Kandiyohi-Renville Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not provided	331,121
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	15152MN10152514 1512MN127Q7503 1512MN10152520	427,513
<b>Total U.S. Department of Agriculture</b>			<b>\$ 770,976</b>
<b>U.S. Department of Justice</b>			
Direct			
State Criminal Alien Assistance Program	16.606	N/A	\$ 14,388
Passed Through Minnesota Department of Public Safety Violence Against Women Formula Grants	16.588	F-VAWA-2015- KANDICO-5073	34,564
<b>Total U.S. Department of Justice</b>			<b>\$ 48,952</b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	00034	\$ 2,067,485
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	F-SAFE15-2015- KANDICO-0862/0982/1124 F-ENFRC15-2015- KANDICO-0856/1093/1254	33,840
National Priority Safety Programs (Total Highway Safety Cluster \$50,572)	20.616	F-ENFRC15-2015- KANDICO-0856/1093	16,732
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC15-2015- KANDICO-0856/0973/1254	22,140
<b>Total U.S. Department of Transportation</b>			<b>\$ 2,140,197</b>
<b>U.S. Department of Education</b>			
Passed Through Kandiyohi-Renville Community Health Board Special Education - Grants for Infants and Families	84.181	Not provided	<b>\$ 3,255</b>



**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**EXHIBIT D-3  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Kandiyohi-Renville Community Health Board			
Public Health Emergency Preparedness	93.069	Not provided	\$ 35,403
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Not provided	688
Universal Newborn Hearing Screening	93.251	Not provided	1,800
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	Not provided	150
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$686,991)	93.558	Not provided	45,990
Maternal and Child Health Services Block Grant to the States	93.994	Not provided	56,854
Passed Through Minnesota Department of Health			
Immunization Cooperative Agreements	93.268	H23IP000737	4,450
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	1401MNF PSS	8,500
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$686,991)	93.558	1502MNTANF	641,001
Child Support Enforcement	93.563	1504MN4005	780,286
Refugee and Entrant Assistance - State-Administered Programs	93.566	1501MNR CMA	517
Child Care and Development Block Grant	93.575	G1501MNC CDF	17,385
Community-Based Child Abuse Prevention Grants	93.590	1302MNF R PG	21,441
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1401MNC WSS	625
Foster Care - Title IV-E	93.658	1501MNF OST	280,283
Social Services Block Grant	93.667	1501MNS OSR	313,591
Chafee Foster Care Independence Program	93.674	1401MN1420	9,225
Children's Health Insurance Program	93.767	1405MN5021	135
Medical Assistance Program	93.778	1505MN5ADM	1,317,875
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 3,536,199</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	121115 101315	\$ 30,088
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2015- KANDICO-1136	27,702
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 57,790</b>
<b>Total Federal Awards</b>			<b>\$ 6,557,369</b>

Kandiyohi County did not pass any federal awards through to subrecipients during the year ended December 31, 2015.

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

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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Kandiyohi County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include \$1,914,409 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, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Kandiyohi County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

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4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 6,548,340
Grants received more than 60 days after year-end, unavailable in 2015	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	4,492
Child Support Enforcement	31,800
Unavailable in 2014, recognized as revenue in 2015	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	(5,339)
Temporary Assistance for Needy Families	(4,297)
Child Care and Development Block Grant	(1,383)
Boating Safety Financial Assistance	(16,244)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 6,557,369</u>



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**KANDIYOHI COUNTY  
WILLMAR, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with general accepted accounting principles: **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? **None reported**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal programs are:

Highway Planning and Construction	CFDA No. 20.205
Medical Assistance Program	CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was \$750,000.

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 Kandiyohi County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

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

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

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

Client's Response:

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



PREVIOUSLY REPORTED ITEMS RESOLVED

**Audit Adjustment (2014-001)**

In the prior audit, a material audit adjustment was made to properly report contracts payable and capital outlay sanitation expenditures in the Capital Projects Fund.

**Resolution**

No material audit adjustments were necessary for 2015.

**Itemized Receipts for Credit Card Purchases (2014-002)**

In the prior audit, two credit card claims did not include all necessary itemized vendor receipts or other documentation to support all charges on the monthly billing to adhere to Minn. Stat. § 471.38, subd. 1, and to the County's credit card policy.

**Resolution**

All credit card claims tested during the current audit included itemized vendor receipts or other documentation to support charges on the monthly billing.

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1996-003

Ditch Special Revenue Fund - Cash and Equity Balances

**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. Also, through the levying of assessments, Minn. Stat. § 103E.735, subd. 1, permits the accumulation of a fund 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:** Twenty-five of the 113 individual ditch systems had deficit cash balances totaling \$375,215 at December 31, 2015. This amount increased from the prior year when 24 of the 115 individual ditch systems had deficit cash balances totaling \$260,450. Thirty of the 113 individual ditch systems had deficit fund balances totaling \$464,182 at December 31, 2015. This amount increased from the prior year when 30 of the 115 individual ditch systems had deficit fund balances totaling \$301,791.

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

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

**Cause:** Ditch expenditures were necessary, ditch levies were not sufficient, and no loans were formally made between ditches or other County funds.

**Recommendation:** We recommend the County eliminate the ditch system cash and equity 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 balance to provide for the repair and maintenance costs of a ditch system.

Client's Response:

*In 2016, one-year ditch repair liens were levied.*



REBECCA OTTO  
STATE AUDITOR

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

### Independent Auditor's Report

Board of County Commissioners  
Kandiyohi County  
Willmar, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County, Minnesota, as of and for the year ended December 31, 2015, 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 8, 2016. Our report includes a reference to other auditors who audited the financial statements of the Kandiyohi County Housing and Redevelopment Authority (HRA) for the year ended June 30, 2015, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Kandiyohi County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 Counties*, 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 Counties*, except as described in the Schedule of Findings and Questioned Costs as item 1996-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

### **Kandiyohi County's Responses 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 Counties* 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

September 8, 2016

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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REBECCA OTTO  
STATE AUDITOR

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

### Independent Auditor's Report

Board of County Commissioners  
Kandiyohi County  
Willmar, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited Kandiyohi County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *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, 2015. 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 \$1,914,409 in federal awards during the year ended June 30, 2015, 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 single audit in accordance with the Uniform Guidance.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance 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, 2015.

### **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 8, 2016

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR