

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

YEAR ENDED DECEMBER 31, 2008

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

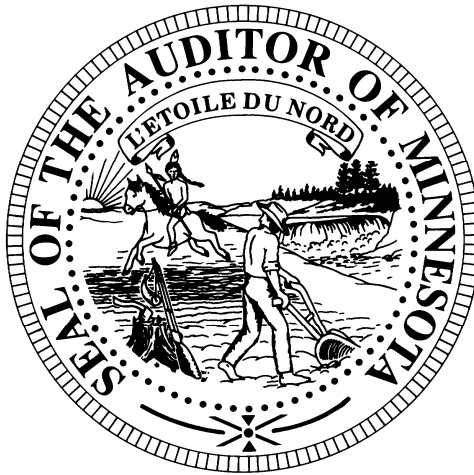
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Year Ended December 31, 2008



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

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

ORGANIZATION
2008

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

*Chair

**Vice Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Kandiyohi County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County, Minnesota, as of and for the year ended December 31, 2008, including the Kandiyohi County Housing and Redevelopment Authority (HRA) as of and for the year ended June 30, 2008, which collectively comprise Kandiyohi County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kandiyohi County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kandiyohi County HRA, the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Kandiyohi County HRA, is based solely upon the report of the other auditors.

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

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

aggregate remaining fund information of Kandiyohi County as of December 31, 2008, including the Kandiyohi County HRA as of June 30, 2008, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4.B. to the financial statements, during the year ended December 31, 2008, the County adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2009, on our consideration of Kandiyohi County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the Kandiyohi County HRA, which was audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 11, 2009

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(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, 2008. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements (beginning with Exhibit 1).

FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are \$131,731,400 of which \$83,066,660 is invested in capital assets, net of related debt, and \$1,998,778 is restricted to specific purposes.
- Kandiyohi County's net assets increased by \$6,037,393 for the year ended December 31, 2008. The net assets of the County's discretely presented component unit increased by \$117,708.
- The net cost of governmental activities was \$25,633,167 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$31,670,560.
- Governmental funds' fund balances decreased by \$301,176.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were \$131,731,400 on December 31, 2008. (See Table A-1.)

Table A-1
Net Assets

	Governmental Activities		Percent (%) Change
	2008	2007	
Current and other assets	\$ 75,486,917	\$ 73,849,221	2.2
Capital assets	140,358,210	134,621,459	4.3
Total Assets	\$ 215,845,127	\$ 208,470,680	3.5
Current liabilities	\$ 5,769,049	\$ 5,752,574	0.3
Long-term liabilities	78,344,678	77,024,099	1.7
Total Liabilities	\$ 84,113,727	\$ 82,776,673	1.6
Net Assets			
Invested in capital assets, net of related debt	\$ 83,066,660	\$ 76,888,306	8.0
Restricted assets	1,998,778	3,680,761	(45.7)
Unrestricted	46,665,962	45,124,940	3.4
Total Net Assets	\$ 131,731,400	\$ 125,694,007	4.8

Changes in Net Assets

The County-wide total revenues were \$69,325,833 for the year ended December 31, 2008. Property taxes and intergovernmental revenues accounted for 65.9 percent of total revenues for the year. (See Figures A-3 and A-4.)

Table A-2
Changes in Net Assets

	Governmental Activities for Fiscal Year Ended December 31		Total Percent (%) Change
	2008	2007	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 17,618,153	\$ 18,976,302	(7.2)
Operating grants and contributions	16,095,285	15,521,253	3.7
Capital grants and contributions	3,941,835	1,254,806	214.1
General revenues			
Taxes	22,137,278	20,948,154	5.7
Unrestricted state aid	3,527,819	3,973,310	(11.2)
Investment earnings	1,788,521	2,893,775	(38.2)
Other	4,216,942	2,117,873	99.1
Total Revenues	<u>\$ 69,325,833</u>	<u>\$ 65,685,473</u>	5.5
Expenses			
General government	\$ 10,311,588	\$ 8,669,072	18.9
Public safety	13,424,240	13,481,305	(0.4)
Highways and streets	11,019,848	6,944,396	58.7
Sanitation	7,398,517	4,908,690	50.7
Human services	13,982,366	13,554,899	3.2
Health	2,380,540	2,227,555	6.9
Culture and recreation	897,146	1,882,546	(52.3)
Conservation of natural resources	1,248,382	640,294	95.0
Economic development	24,449	16,902	44.7
Interest	2,601,364	2,648,461	(1.8)
Total Expenses	<u>\$ 63,288,440</u>	<u>\$ 54,974,120</u>	15.1
Increase in Net Assets	\$ 6,037,393	\$ 10,711,353	(43.6)
Beginning Net Assets	<u>125,694,007</u>	<u>114,982,654</u>	9.3
Ending Net Assets	<u>\$ 131,731,400</u>	<u>\$ 125,694,007</u>	4.8

Figure A-3
Sources of County Revenues for Fiscal Year 2008

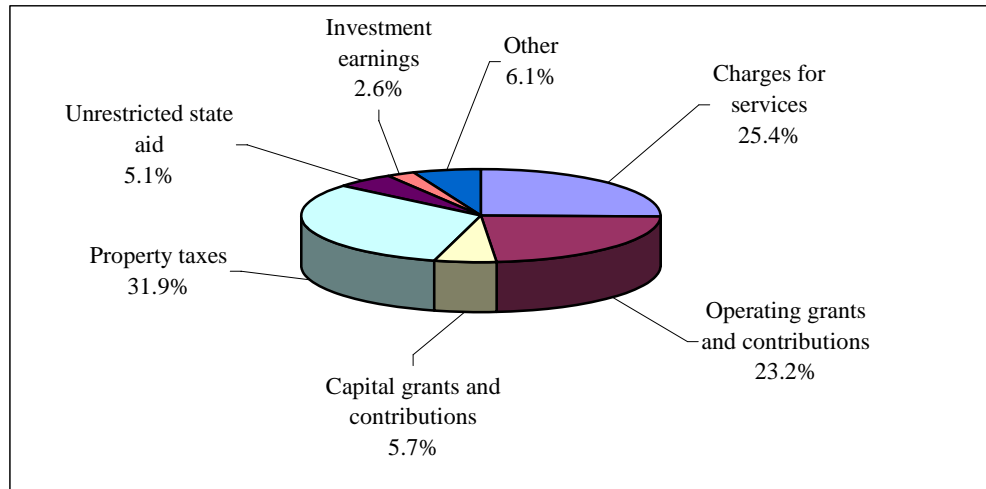
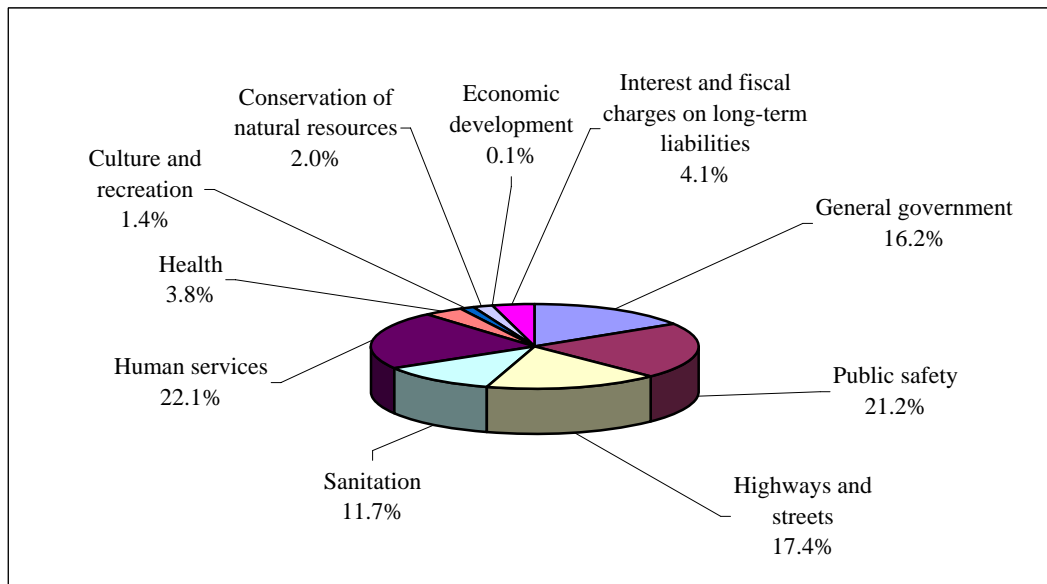


Figure A-4
Sources of County Expenses During Fiscal Year 2008



Total revenues surpassed expenses, increasing net assets \$6,037,393 over last year.

The County-wide cost of all governmental activities this year was \$63,288,440.

- Some of the cost was paid by the users of the County's programs (\$17,618,153).
- The federal and state governments subsidized certain programs with grants and contributions (\$20,037,120).
- Some of the County's costs (\$25,633,167), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$22,076,120 in property taxes, \$9,594,440 of state aid, and investment earnings and other general revenues.

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

**Table A-5
Governmental Activities**

	Total Cost of Services		Percent (%) Change	Net Cost of Services		Percent (%) Change
	2008	2007		2008	2007	
General government	\$ 10,311,588	\$ 8,669,072	18.9	\$ 8,047,873	\$ 5,364,087	50.0
Public safety	13,424,240	13,481,305	(0.4)	8,563,930	9,240,465	(7.3)
Highways and streets	11,019,848	6,944,396	58.7	296,147	(2,903,790)	(110.2)
Sanitation	7,398,517	4,908,690	50.7	(762,510)	(2,265,471)	(66.3)
Human services	13,982,366	13,554,899	3.2	5,280,057	6,323,494	(16.5)
Health	2,380,540	2,227,555	6.9	675,378	(310,555)	(317.5)
Culture and recreation	897,146	1,882,546	(52.3)	587,599	1,603,836	(63.4)
Conservation of natural resources	1,248,382	640,294	95.0	318,880	64,591	393.7
Economic development	24,449	16,902	(44.7)	24,449	(543,359)	(104.5)
Interest and fiscal charges on long-term liabilities	2,601,364	2,648,461	(1.8)	2,601,364	2,648,461	(1.8)
Total	<u>\$ 63,288,440</u>	<u>\$ 54,974,120</u>	15.1	<u>\$ 25,633,167</u>	<u>\$ 19,221,759</u>	33.4

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$54,458,489.

Revenues for the County's governmental funds were \$67,331,249, while total expenditures were \$70,953,621. During 2008, the County also issued bonds and loans which are included in other financing sources and uses.

GENERAL FUND

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

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

Table A-6
General Fund Revenues

	Year Ended December 31		Change	
	2008	2007	Increase (Decrease)	Percent (%)
Taxes	\$ 10,125,661	\$ 9,922,229	\$ 203,432	2.1
Intergovernmental	4,767,391	4,723,271	44,120	0.9
Charges for services	5,030,838	5,562,354	(531,516)	(9.6)
Investment earnings	724,556	1,133,921	(409,365)	(36.1)
Miscellaneous and other	2,342,210	1,528,544	813,666	53.2
Total General Fund Revenues	<u>\$ 22,990,656</u>	<u>\$ 22,870,319</u>	<u>\$ 120,337</u>	0.5

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

Table A-7
General Fund Expenditures

	Year Ended December 31		Change	
	2008	2007	Increase (Decrease)	Percent (%)
General government	\$ 8,611,979	\$ 6,083,901	\$ 2,528,078	41.6
Public safety	13,006,500	12,973,983	32,517	0.3
Health	2,375,480	2,210,966	164,514	7.4
Culture and recreation	480,382	443,972	36,410	8.2
Conservation of natural resources	671,980	617,281	54,699	8.9
Economic development	24,449	16,902	7,547	44.7
Insurance	-	1,282,788	(1,282,788)	(100.0)
Debt service	93,206	77,064	16,142	20.9
Total General Fund Expenditures	<u>\$ 25,263,976</u>	<u>\$ 23,706,857</u>	<u>\$ 1,557,119</u>	6.6

General Fund Budgetary Highlights

- Actual revenues were \$2,522,006 more than expected.
- Actual expenditures were \$2,484,226 more than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2008, the County had invested over \$172,836,060 in a broad range of capital assets, including land, landfill, buildings, computers, equipment, and infrastructure. (See Table A-8.) (More detailed information about capital assets can be found in Note 3.A.3. to the financial statements.) Total depreciation expense for the year was \$3,651,735.

Table A-8
Capital Assets

	2008	2007	Percent (%) Change
Land	\$ 4,987,883	\$ 4,754,695	4.9
Landfill	3,239,593	3,239,593	-
Infrastructure	89,596,304	84,889,426	5.5
Buildings	43,185,858	39,342,931	9.8
Machinery, vehicles, furniture, and equipment	12,197,947	11,158,886	9.3
Construction in progress	19,628,475	20,341,265	(3.5)
Less: accumulated depreciation	(32,477,850)	(29,105,337)	11.6
Total Capital Assets	<u>\$ 140,358,210</u>	<u>\$ 134,621,459</u>	4.3

Debt

At year-end, the County had outstanding debt of \$69,488,309 versus \$69,791,551 last year, a decrease of 0.4 percent as shown in Table A-9.

Table A-9
Outstanding Debt

	2008	2007	Percent (%) Change
Installment purchase obligation	\$ 5,050,000	\$ 5,560,000	(9.2)
General obligation bonds	28,750,000	33,655,000	(14.6)
Special assessment bonds	12,100,000	6,300,000	92.1
Capital lease	3,710,000	3,710,000	-
Deferred (discount) premiums	(102,239)	(6,978)	1,365.2
Loans payable	19,978,162	20,569,237	(2.9)
Paving assessments	2,386	4,292	(44.4)
Total Outstanding Debt	<u>\$ 69,488,309</u>	<u>\$ 69,791,551</u>	(0.4)

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 ASSETS
DECEMBER 31, 2008**

	Primary Government Governmental Activities	Component Unit Kandiyohi County Housing and Redevelopment Authority
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 49,920,909	\$ 781,609
Cash with escrow agent	540,134	-
Taxes receivable		
Prior - net	488,838	64,543
Special assessments receivable - prior	106,994	-
Accounts receivable - net	325,868	33,429
Accrued interest receivable	245,202	15,218
Loan receivable	5,063,320	-
Due from other governments	2,955,626	-
Inventories	311,022	95,291
Prepaid items	-	8,298
Restricted assets		
Cash and pooled investments	-	30,666
Noncurrent assets		
Special assessments receivable - noncurrent	15,068,429	-
Deferred charges	172,271	11,158
Long-term receivable - note	256,666	-
Other postemployment benefits receivable	31,638	-
Capital assets		
Non-depreciable	24,616,358	82,359
Depreciable - net of accumulated depreciation	115,741,852	1,056,245
Total Assets	\$ 215,845,127	\$ 2,178,816

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Kandiyohi County Housing and Redevelopment Authority</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 1,397,340	\$ 6,786
Salaries payable	1,041,414	-
Accrued payroll taxes	-	28,341
Contracts payable	777,464	-
Retainage payable	419,183	-
Due to other governments	892,228	754
Accrued interest payable	1,040,618	-
Other accrued liabilities	-	12,655
Unearned revenue	200,802	66,004
Liabilities payable from restricted assets		
Accounts payable	-	13,340
Long-term liabilities		
Due within one year	4,530,330	31,969
Due in more than one year	73,814,348	1,306,895
Total Liabilities	\$ 84,113,727	\$ 1,466,744
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 83,066,660	\$ (200,260)
Restricted for		
General government	682,650	-
Public safety	762,001	-
Conservation of natural resources	13,993	-
Debt service	540,134	-
Unrestricted	46,665,962	912,332
Total Net Assets	\$ 131,731,400	\$ 712,072

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 10,311,588	\$ 1,799,278
Public safety	13,424,240	3,513,878
Highways and streets	11,019,848	1,871,647
Sanitation	7,398,517	8,158,152
Human services	13,982,366	676,637
Health	2,380,540	865,114
Culture and recreation	897,146	309,547
Conservation of natural resources	1,248,382	423,900
Economic development	24,449	-
Interest	2,601,364	-
Total primary government	<u>\$ 63,288,440</u>	<u>\$ 17,618,153</u>
 Component unit		
Kandiyohi County Housing and Redevelopment Authority	<u>\$ 1,486,694</u>	<u>\$ 360,665</u>

General Revenues

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

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Discretely Presented Component Unit
\$ 464,437	\$ -	\$ (8,047,873)	
1,346,432	-	(8,563,930)	
4,910,219	3,941,835	(296,147)	
2,875	-	762,510	
8,025,672	-	(5,280,057)	
840,048	-	(675,378)	
-	-	(587,599)	
505,602	-	(318,880)	
-	-	(24,449)	
-	-	(2,601,364)	
\$ 16,095,285	\$ 3,941,835	\$ (25,633,167)	
\$ 1,217,925	\$ -		\$ 91,896
		\$ 20,664,007	\$ -
		61,158	-
		1,412,113	-
		188,273	-
		3,527,819	-
		1,788,521	25,812
		4,028,669	-
		\$ 31,670,560	\$ 25,812
		\$ 6,037,393	\$ 117,708
		125,694,007	594,364
		\$ 131,731,400	\$ 712,072

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<u>Assets</u>			
Cash and pooled investments	\$ 12,188,109	\$ 5,190,807	\$ 7,489,130
Cash with escrow agent	-	-	-
Taxes receivable			
Prior	226,738	72,034	115,600
Special assessments			
Prior	9,489	159	-
Noncurrent	927,906	9,351	-
Accounts receivable	111,883	-	41,222
Accrued interest receivable	74,448	38,238	-
Loans receivable	193,613	-	-
Due from other funds	40,039	71,829	-
Due from other governments	624,138	1,370,910	752,902
Inventories	-	311,022	-
Long-term receivable	-	-	-
Total Assets	<u><u>\$ 14,396,363</u></u>	<u><u>\$ 7,064,350</u></u>	<u><u>\$ 8,398,854</u></u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Cash overdraft	\$ -	\$ -	\$ -
Accounts payable	828,818	145,374	36,502
Salaries payable	634,380	106,015	240,586
Contracts payable	-	409,950	-
Retainage payable	-	216,883	-
Due to other funds	62,343	16,920	36,143
Due to other governments	204,582	17,251	387,510
Deferred revenue - unavailable	1,160,811	557,057	89,820
Deferred revenue - unearned	196,979	-	-
Total Liabilities	<u><u>\$ 3,087,913</u></u>	<u><u>\$ 1,469,450</u></u>	<u><u>\$ 790,561</u></u>

EXHIBIT 3

Sanitary Landfill/ Recycling Center	Debt Service	Capital Projects	Nonmajor Funds	Total
\$ 10,278,872	\$ 3,632,725	\$ 2,643,766	\$ 8,875,298	\$ 50,298,707
-	540,134	-	-	540,134
-	31,259	-	50,651	496,282
40,435	46,435	-	12,105	108,623
909,112	10,455,450	493,076	2,489,158	15,284,053
161,856	3,750	-	7,157	325,868
49,916	-	-	82,600	245,202
-	4,869,707	-	-	5,063,320
9	-	1,840	200,286	314,003
1,981	69,366	-	136,329	2,955,626
-	-	-	-	311,022
-	-	-	256,666	256,666
\$ 11,442,181	\$ 19,648,826	\$ 3,138,682	\$ 12,110,250	\$ 76,199,506
\$ -	\$ -	\$ -	\$ 377,798	\$ 377,798
92,784	-	91,462	202,400	1,397,340
21,759	-	-	38,674	1,041,414
-	-	367,514	-	777,464
-	-	202,300	-	419,183
1,660	-	175,000	21,937	314,003
13,866	-	-	269,019	892,228
990,678	10,521,309	493,042	2,508,068	16,320,785
-	-	-	3,823	200,802
\$ 1,120,747	\$ 10,521,309	\$ 1,329,318	\$ 3,421,719	\$ 21,741,017

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<u>Liabilities and Fund Balances</u> (Continued)			
Fund Balances			
Reserved for			
Encumbrances	\$ -	\$ 539,465	\$ -
Inventories	-	311,022	-
Loans receivable	193,613	-	-
Recorder's equipment purchases	336,310	-	-
Sheriff's contingency	89,405	-	-
Sheriff's forfeited property	160,300	-	-
Permit to carry	46,773	-	-
General government	344,526	-	-
Public safety	32,087	-	-
Conservation of natural resources	13,993	-	-
Sanitation	-	-	-
Donations for public safety	6,174	-	-
Debt service	184,630	-	-
Enhanced 911	427,262	-	-
Election equipment grant	1,814	-	-
Long-term receivable	-	-	-
Unreserved			
Designated for debt service	-	-	-
Designated for petty cash and change funds	1,640	-	-
Designated for unrealized gains on investments	66,073	641	-
Undesignated	9,403,850	4,743,772	7,608,293
Unreserved, reported in nonmajor			
Special revenue funds	-	-	-
Total Fund Balances	\$ 11,308,450	\$ 5,594,900	\$ 7,608,293
Total Liabilities and Fund Balances	\$ 14,396,363	\$ 7,064,350	\$ 8,398,854

EXHIBIT 3
(Continued)

<u>Sanitary Landfill/ Recycling Center</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 863,019	\$ -	\$ 1,402,484
-	-	-	-	311,022
-	4,869,707	-	-	5,063,320
-	-	-	-	336,310
-	-	-	-	89,405
-	-	-	-	160,300
-	-	-	-	46,773
-	-	-	-	344,526
-	-	-	-	32,087
-	-	-	-	13,993
4,953,223	-	-	-	4,953,223
-	-	-	-	6,174
-	1,110,427	-	-	1,295,057
-	-	-	-	427,262
-	-	-	-	1,814
-	-	-	256,666	256,666
-	3,147,383	-	-	3,147,383
-	-	-	-	1,640
47,663	-	-	-	114,377
5,320,548	-	946,345	-	28,022,808
-	-	-	8,431,865	8,431,865
<u>\$ 10,321,434</u>	<u>\$ 9,127,517</u>	<u>\$ 1,809,364</u>	<u>\$ 8,688,531</u>	<u>\$ 54,458,489</u>
<u>\$ 11,442,181</u>	<u>\$ 19,648,826</u>	<u>\$ 3,138,682</u>	<u>\$ 12,110,250</u>	<u>\$ 76,199,506</u>

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Fund balances - total governmental funds (Exhibit 3)	\$	54,458,489
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		140,358,210
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Revenues in the statement of activities that do not provide current financial resources not reported in the governmental funds.

Revenue deferred as unavailable	\$ 16,320,785	
Allowance for uncollectible receivables included in deferred revenue	<u>(224,697)</u>	16,096,088

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

Installment purchase obligations	\$ (5,050,000)	
General obligation bonds	(28,750,000)	
Discount and premium	102,239	
Deferred debt issuance charges	172,271	
Net other postemployment benefits	31,638	
Special assessment bonds	(12,100,000)	
Paving special assessments	(2,386)	
Capital leases payable	(3,710,000)	
Loans payable	(19,978,162)	
Landfill closure/postclosure liability	(5,624,101)	
Compensated absences	(3,232,268)	
Accrued interest payable	<u>(1,040,618)</u>	<u>(79,181,387)</u>

Net Assets of Governmental Activities (Exhibit 1)	\$	<u>131,731,400</u>
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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 10,125,661	\$ 3,248,496	\$ 5,035,477
Special assessments	122,372	5,404	-
Licenses and permits	386,964	-	-
Intergovernmental	4,767,391	10,076,029	8,839,462
Charges for services	5,030,838	1,594,235	420,107
Fines and forfeits	-	-	-
Gifts and contributions	39,585	-	-
Investment earnings	724,556	68,683	-
Miscellaneous	1,793,289	-	256,530
Total Revenues	\$ 22,990,656	\$ 14,992,847	\$ 14,551,576
Expenditures			
Current			
General government	\$ 8,611,979	\$ -	\$ -
Public safety	13,006,500	-	-
Highways and streets	-	12,241,560	-
Sanitation	-	-	-
Human services	-	-	14,015,918
Health	2,375,480	-	-
Culture and recreation	480,382	-	-
Conservation of natural resources	671,980	-	-
Economic development	24,449	-	-
Intergovernmental			
Highways and streets	-	258,591	-
Culture and recreation	-	-	-
Capital outlay			
Sanitation	-	-	-
Human services	-	-	-
Debt service			
Principal	66,143	350,000	-
Interest	10,921	213,412	-
Bond issuance costs	16,142	-	-
Administrative (fiscal) charges	-	-	-
Total Expenditures	\$ 25,263,976	\$ 13,063,563	\$ 14,015,918
Excess of Revenues Over (Under)			
Expenditures	\$ (2,273,320)	\$ 1,929,284	\$ 535,658

EXHIBIT 5

<u>Sanitary Landfill/ Recycling Center</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ 1,387,969	\$ -	\$ 2,259,431	\$ 22,057,034
900,076	1,337,893	32,224	462,455	2,860,424
710	-	-	-	387,674
156,742	219,662	-	350,148	24,409,434
2,787,858	1,370,429	-	734,879	11,938,346
-	-	-	17,365	17,365
-	-	-	500	40,085
475,612	7,447	-	229,684	1,505,982
15,174	132,104	175,000	1,742,808	4,114,905
<u>\$ 4,336,172</u>	<u>\$ 4,455,504</u>	<u>\$ 207,224</u>	<u>\$ 5,797,270</u>	<u>\$ 67,331,249</u>
\$ -	\$ -	\$ -	\$ 1,208,169	\$ 9,820,148
-	-	-	580,047	13,586,547
-	-	-	25,333	12,266,893
1,879,068	-	-	998,087	2,877,155
-	-	-	-	14,015,918
-	-	-	-	2,375,480
-	-	-	351,757	832,139
-	-	-	488,041	1,160,021
-	-	-	-	24,449
-	-	-	-	258,591
-	-	-	332,800	332,800
-	-	4,599,251	-	4,599,251
-	-	2,616,634	-	2,616,634
235,000	2,955,876	-	83,185	3,690,204
40,456	1,962,662	-	208,546	2,435,997
-	-	39,893	-	56,035
432	4,927	-	-	5,359
<u>\$ 2,154,956</u>	<u>\$ 4,923,465</u>	<u>\$ 7,255,778</u>	<u>\$ 4,275,965</u>	<u>\$ 70,953,621</u>
<u>\$ 2,181,216</u>	<u>\$ (467,961)</u>	<u>\$ (7,048,554)</u>	<u>\$ 1,521,305</u>	<u>\$ (3,622,372)</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ 1,525,200	\$ -	\$ -
Transfers out	-	-	-
Loans issued	509,702	-	-
Bonds issued	3,550,000	-	-
Discount on bonds issued	(27,484)	-	-
Payment to refunded bond escrow agent	-	-	-
Sale of capital assets	3,580	-	-
	<u>3,580</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ 5,560,998</u>	<u>\$ -</u>	<u>\$ -</u>
Net Changes in Fund Balance	\$ 3,287,678	\$ 1,929,284	\$ 535,658
Fund Balance - January 1, as restated (Note 1.E.)	8,020,772	3,734,814	7,072,635
Increase (decrease) in reserved for inventories	<u>-</u>	<u>(69,198)</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 11,308,450</u></u>	<u><u>\$ 5,594,900</u></u>	<u><u>\$ 7,608,293</u></u>

EXHIBIT 5
(Continued)

Sanitary Landfill/ Recycling Center	Debt Service	Capital Projects	Nonmajor Funds	Total
\$ -	\$ 757,645	\$ -	\$ 500,000	\$ 2,782,845
(1,525,200)	-	-	(1,257,645)	(2,782,845)
-	-	152,521	-	662,223
-	-	6,100,000	-	9,650,000
-	-	(67,925)	-	(95,409)
-	(6,830,000)	-	-	(6,830,000)
-	-	-	-	3,580
\$ (1,525,200)	\$ (6,072,355)	\$ 6,184,596	\$ (757,645)	\$ 3,390,394
\$ 656,016	\$ (6,540,316)	\$ (863,958)	\$ 763,660	\$ (231,978)
9,665,418	15,667,833	2,673,322	7,924,871	54,759,665
-	-	-	-	(69,198)
\$ 10,321,434	\$ 9,127,517	\$ 1,809,364	\$ 8,688,531	\$ 54,458,489

**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, 2008**

Net change in fund balances - total governmental funds (Exhibit 5) **\$ (231,978)**

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

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

Deferred revenue - December 31	\$ 16,320,785	
Less: allowance for uncollectible receivables	(224,697)	
Deferred revenue - January 1	(14,303,671)	
Less: allowance for uncollectible receivables	<u>202,167</u>	1,994,584

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

Expenditures for general capital assets and infrastructure	\$ 9,423,813	
Net book value of assets sold	(35,327)	
Current year depreciation	<u>(3,651,735)</u>	5,736,751

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

Debt issued		
General obligation bonds issued	\$ (9,650,000)	
Loans	(662,223)	
Debt issuance costs	56,035	
Premium	<u>95,409</u>	(10,160,779)

Principal repayments		
Installment purchase obligations	\$ 510,000	
General obligation bonds	8,455,000	
Special assessment bonds	300,000	
Paving special assessments	1,906	
Loans payable	<u>1,253,298</u>	10,520,204

**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, 2008**

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	\$ (146,425)	
Current year amortization of premium on bonds issued	10,370	
Current year amortization of discount on bonds issued	(10,518)	
Current year amortization of deferred debt issuance costs	(13,435)	
Change in compensated absences	(140,994)	
Change in net other postemployment benefits	31,638	
Change in inventories	(69,198)	
Change in landfill closure/postclosure liability	<u>(1,482,827)</u>	<u>(1,821,389)</u>
Change in Net Assets of Governmental Activities (Exhibit 2)		<u><u>\$ 6,037,393</u></u>

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FIDUCIARY FUNDS

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008**

	<u>County Cemetery Investment Trust Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash and pooled investments	\$ 29,611	\$ 1,427,554
Receivables		
Accrued interest	<u>152</u>	<u>-</u>
Total Assets	<u>\$ 29,763</u>	<u>\$ 1,427,554</u>
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 7,734
Due to other governments	<u>-</u>	<u>1,419,820</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 1,427,554</u>
<u>Net Assets</u>		
Net assets, held in trust for perpetual care - expendable	<u>\$ 29,763</u>	

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
COUNTY CEMETERY INVESTMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

Additions

Investment earnings	
Interest	\$ 722

Deductions

Payments in accordance with trust agreements	864
----------------------------------------------	-----

Change in net assets	\$ (142)
-----------------------------	-----------------

Net Assets - January 1	29,905
-------------------------------	---------------

Net Assets - December 31	<u>\$ 29,763</u>
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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

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, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Blended Component Unit

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

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

Discretely Presented Component Unit

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

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

Joint Ventures

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

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

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

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

Additionally, the County reports the following fund types:

Fiduciary Funds

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements

Fiduciary Funds (Continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2008, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2008 were \$582,833.

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

2. Receivables and Payables

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

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories

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

4. Restricted Assets

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

5. Capital Assets

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1 Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

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

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

6. Compensated Absences

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

7. Deferred Revenue

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Long-Term Obligations

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

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

9. Fund Equity

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

10. Use of Estimates

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Restatement

The January 1, 2008, fund balance in the Debt Service Fund was restated by \$5,303,536 due to the removal of prior year deferred revenue related to a loan made to Bushmills, Inc., in conjunction with the construction of an ethanol plant. In the prior years, the loan made to Bushmills, Inc., was recorded as a loan receivable in the Debt Service Fund and was completely offset by deferred revenue - unavailable. This loan should have been offset by reserved fund balance. This restatement adjusts the fund balance to reflect the offset of the loan receivable.

Balance, January 1, 2008, as previously reported	\$ 10,364,297
Restatement of fund balance	<u>5,303,536</u>
Balance, January 1, 2008, as restated	<u><u>\$ 15,667,833</u></u>

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Ditch Fund

Thirty-seven of 109 drainage systems of the Ditch Special Revenue Fund have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the unreserved, undesignated fund balance as of December 31, 2008:

Account balances	\$ 526,151
Account deficits	<u>(281,953)</u>
Fund Balance	<u><u>\$ 244,198</u></u>

Regional Treatment Center Fund

At December 31, 2008, the Regional Treatment Center Special Revenue Fund had a deficit fund balance of \$219,050. This deficit is expected to be eliminated through the collection of future lease payments from lessees and possible transfers from other County funds.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2008:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 25,263,976	\$ 22,779,750	\$ 2,484,226
Special Revenue Funds			
Road and Bridge	13,063,563	12,160,000	903,563
Human Services	14,015,918	13,477,161	538,757
Sanitary Landfill/Recycling Center	2,154,956	2,148,600	6,356
Capital Equipment	432,057	-	432,057
Green Lake Sewer	867,101	818,683	48,418
County Library	509,378	504,500	4,878

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 49,920,909
Cash with escrow agent	540,134
Statement of fiduciary net assets	
Cash and pooled investments	<u>1,457,165</u>
Total Cash and Investments	<u>\$ 51,918,208</u>

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. All County deposits must be protected by insurance, surety bond, or collateral as required by Minn. Stat. § 118A.03. 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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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. The County’s deposits in banks at December 31, 2008, were entirely covered by federal depository insurance and collateral in accordance with Minnesota statutes.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

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, 2008, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Percent (%) of Portfolio	Maturity Date	
U.S. government securities/bonds					
Federal Farm Credit Bank	Aaa	Moody's		04/01/2013	\$ 553,130
Federal Farm Credit Bank	Aaa	Moody's		04/22/2014	250,140
Total Federal Farm Credit Bank			<5%		\$ 803,270
Mutual Funds	N/R	N/A	<5%		\$ 540,134
Federal Home Loan Bank	Aaa	Moody's		04/01/2015	\$ 550,033
Federal Home Loan Bank	Aaa	Moody's		02/19/2013	1,026,850
Federal Home Loan Bank	Aaa	Moody's		06/25/2012	174,485
Federal Home Loan Bank	Aaa	Moody's		06/22/2011	25,484
Federal Home Loan Bank	Aaa	Moody's		06/23/2015	507,340
Federal Home Loan Bank	Aaa	Moody's		12/17/2012	202,590
Federal Home Loan Bank	Aaa	Moody's		10/06/2009	1,740,635
Federal Home Loan Bank	Aaa	Moody's		02/13/2012	4,001,708
Federal Home Loan Bank	Aaa	Moody's		05/25/2018	2,008,284
Federal Home Loan Bank	Aaa	Moody's		12/02/2014	1,005,538
Total Federal Home Loan Bank			26.8%		\$ 11,242,947

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Percent (%) of Portfolio	Maturity Date	
Federal National Mortgage Association	Aaa	Moody's		12/01/2031	\$ 11,154
Federal National Mortgage Association	Aaa	Moody's		04/29/2013	500,970
Federal National Mortgage Association	Aaa	Moody's		07/28/2011	406,524
Federal National Mortgage Association	Aaa	Moody's		10/24/2016	100,243
Federal National Mortgage Association	Aaa	Moody's		04/20/2009	505,690
Federal National Mortgage Association	Aaa	Moody's		05/04/2009	1,620,544
Federal National Mortgage Association	Aaa	Moody's		04/29/2013	100,108
Federal National Mortgage Association	Aaa	Moody's		08/17/2020	250,138
Federal National Mortgage Association	Aaa	Moody's		01/19/2010	103,223
Federal National Mortgage Association	Aaa	Moody's		10/01/2028	12,085
Federal National Mortgage Association	Aaa	Moody's		02/21/2023	100,249
Federal National Mortgage Association	Aaa	Moody's		06/12/2023	2,413,752
Federal National Mortgage Association	Aaa	Moody's		03/10/2023	1,000,752
Federal National Mortgage Association	Aaa	Moody's		09/18/2009	1,545,138
Federal National Mortgage Association	Aaa	Moody's		11/28/2022	300,156
Total Federal National Mortgage Association			21.4%		\$ 8,970,726
Federal Home Loan Mortgage Corporation	Aaa	Moody's		07/15/2013	\$ 126,788
Federal Home Loan Mortgage Corporation	Aaa	Moody's		02/26/2015	251,023
Total Federal Home Loan Mortgage Corporation			<5%		\$ 377,811
Total U.S. government securities/bonds					\$ 21,934,888
Investment pools					
MAGIC Fund	N/A	N/A	N/A	N/A	15,218,950
Repurchase agreement	N/A	N/A	N/A	N/A	4,788,160
Total investments					\$ 41,941,998
Checking					772,909
Savings					5,885,896
Money market					646
Certificates of deposit					3,269,218
Departmental cash					45,026
Petty cash					2,515
Total Cash and Investments					\$ 51,918,208

N/A - Not Applicable

N/R - Not Rated

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2008, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Funds		
Receivables		
Taxes	\$ 496,282	\$ -
Special assessments	15,392,676	12,294,342
Accounts	325,868	-
Accrued interest	245,202	-
Loans	5,063,320	4,710,966
Due from other governments	2,955,626	-
Long-term	256,666	237,994
	<hr/>	<hr/>
Total gross receivables	\$ 24,735,640	\$ 17,243,302
	<hr/>	<hr/>
Less: allowance for uncollectibles	(224,697)	
	<hr/>	
Total Net Receivables	\$ 24,510,943	
	<hr/>	

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, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,754,695	\$ 233,188	\$ -	\$ 4,987,883
Construction in progress	20,341,265	2,894,137	3,606,927	19,628,475
Total capital assets not depreciated	\$ 25,095,960	\$ 3,127,325	\$ 3,606,927	\$ 24,616,358
Capital assets depreciated				
Landfill	\$ 3,239,593	\$ -	\$ -	\$ 3,239,593
Buildings	39,342,931	3,842,927	-	43,185,858
Machinery, vehicles, furniture, and equipment	11,158,886	1,353,610	314,549	12,197,947
Infrastructure	84,889,426	4,706,878	-	89,596,304
Total capital assets depreciated	\$ 138,630,836	\$ 9,903,415	\$ 314,549	\$ 148,219,702
Less: accumulated depreciation for				
Landfill	\$ 762,795	\$ 65,093	\$ -	\$ 827,888
Buildings	7,469,209	883,666	-	8,352,875
Machinery, vehicles, furniture, and equipment	6,701,022	919,350	279,222	7,341,150
Infrastructure	14,172,311	1,783,626	-	15,955,937
Total accumulated depreciation	\$ 29,105,337	\$ 3,651,735	\$ 279,222	\$ 32,477,850
Total capital assets depreciated, net	\$ 109,525,499	\$ 6,251,680	\$ 35,327	\$ 115,741,252
Governmental Activities Capital Assets, Net	\$ 134,621,459	\$ 9,379,005	\$ 3,642,254	\$ 140,358,210

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

Governmental Activities	
General government	\$ 495,652
Public safety	551,557
Highways and streets, including depreciation of infrastructure assets	1,551,690
Sanitation	840,064
Human services	19,868
Health	5,060
Culture and recreation	17,483
Conservation of natural resources	170,361
Total Depreciation Expense - Governmental Activities	\$ 3,651,735

**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, 2008, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General	Road and Bridge	\$ 506	Charges for services rendered and supplies provided
	Human Services	36,143	Charges for services rendered and supplies provided
	Sanitary Landfill	1,660	Charges for services rendered and supplies provided
	Other governmental	1,730	Charges for services rendered and supplies provided
Total due to General Fund		\$ 40,039	
Road and Bridge	General	\$ 57,524	Charges for services rendered
	Other governmental	14,305	Charges for services rendered
Total due to Road and Bridge Fund		\$ 71,829	
Sanitary Landfill/Recycling Center	Other governmental	\$ 9	Charges for services rendered and supplies provided
Capital Projects	General	\$ 1,840	Expenses miscoded
Other governmental	General	\$ 2,820	Charges for services rendered and supplies provided
	General	159	Charges for services rendered and supplies provided
	Capital Projects	175,000	Capitalized interest
	Other governmental	4,830	Miscoding of rent revenue
	Road and Bridge	16,414	Ditch special assessments
	Other governmental	1,063	Charges for services rendered and supplies provided
Total due to other governmental funds		\$ 200,286	
Total Due To/From Other Funds		\$ 314,003	

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfer to General Fund from Sanitary Landfill/Recycling Center	\$ 1,525,000	Provide funds for operations
Transfers to Debt Service Fund from other nonmajor governmental funds	757,645	Provide funds for debt service
Transfers to nonmajor governmental funds from other nonmajor governmental funds	<u>500,000</u>	Provide funds for operations
Total Interfund Transfers	<u>\$ 2,782,645</u>	

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Accounts	\$ 1,397,340	\$ 7,734
Salaries	1,041,414	-
Contracts	777,464	-
Retainage	419,183	-
Due to other governments	<u>892,228</u>	<u>1,419,820</u>
Total Payables	<u>\$ 4,527,629</u>	<u>\$ 1,427,554</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Other Postemployment Benefits - Retirees

The County provides postemployment health care benefits for certain retirees. The County contributes one year of single coverage paid health insurance for every three years of service, not to exceed \$430 per month per participant, until age 65. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of year-end, the County had 18 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2008, the County expended \$84,060 for these benefits.

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2008
Installment Purchase Obligation 1998 Refunding Certificates of Participation	2016	\$455,000 - \$735,000	4.20 - 4.80	\$ 6,985,000	\$ 5,050,000
General Obligation Bonds					
1999 G.O. State-Aid Highway Bonds	2014	\$125,000 - \$290,000	4.10 - 4.13	\$ 3,250,000	\$ 1,570,000
2000 G.O. Solid Waste Refunding Bonds	2011	\$225,000 - \$290,000	4.30 - 4.70	2,560,000	760,000
2004 Taxable G.O. Tax Abatement Bonds	2022	\$270,000 - \$540,000	3.125 - 5.30	6,135,000	5,585,000
2004 G.O. Law Enforcement Facility Refunding Bonds	2021	\$385,000 - \$1,340,000	3.375 - 4.15	7,045,000	7,045,000
2005 G.O. Road Reconstruction Bonds	2027	\$125,000 - \$270,000	3.75 - 4.25	3,700,000	3,575,000
2007 G.O. Law Enforcement Facility Refunding Bonds	2020	\$435,000 - \$695,000	4.00	7,100,000	6,665,000
2008 G.O. Capital Equipment Bonds	2016	\$40,000 - \$510,000	3.00 - 4.80	3,550,000	3,550,000
Total General Obligation Bonds				\$ 33,340,000	\$ 28,750,000

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2008
Special Assessment Bonds with Government Commitment					
2001B G.O. Sewer and Water Revenue Bonds	2022	\$30,000 - \$495,000	2.65 - 4.85	\$ 6,000,000	\$ 5,160,000
2002A Green Lake Sewer and Water Revenue Bonds	2023	\$15,000 - \$80,000	3.50 - 4.85	1,000,000	840,000
2008 G.O Wastewater Revenue Bonds	2030	\$215,000 - \$425,000	3.00 - 4.80	6,100,000	6,100,000
Total Special Assessment Bonds with Government Commitment				<u>\$ 13,100,000</u>	<u>\$ 12,100,000</u>
Capital Leases with Government Commitment					
16-Bed Community Behavioral Health Hospital	2018	\$84,752 - \$233,166	4.57	<u>\$ 3,710,000</u>	<u>\$ 3,710,000</u>
2000 Public Facilities Authority Clean Water G. O. Revenue Note	2020	\$5,119 - \$460,119	2.25	\$ 7,188,360	\$ 4,844,000
2001 Public Facilities Authority Clean Water G. O. Revenue Note	2021	\$2,565 - \$230,565	2.25	3,648,450	2,599,000
2002 Public Facilities Authority Clean Water G. O. Revenue Note	2021	\$428 - \$40,428	2.14	651,000	462,000
2006A Public Facilities Authority Clean Water G.O. Revenue Note	2026	\$1,080 - \$217,080	1.00	3,761,876	3,583,000
1999 Public Facilities Authority Drinking Water G. O. Revenue Note	2019	\$5,540 - \$318,540	3.54	4,446,000	2,910,000
2000 Public Facilities Authority Drinking Water G. O. Revenue Note	2019	\$2,805 - \$161,255	3.54	2,262,450	1,474,450
2001 Public Facilities Authority Drinking Water G. O. Revenue Note	2020	\$1,239 - \$71,239	3.54	1,012,260	700,000
2002 Public Facilities Authority Drinking Water G. O. Revenue Note	2021	\$283 - \$16,283	3.54	233,000	170,000
2006B Public Facilities Authority Wastewater Infrastructure G.O. Revenue Note	2032	\$9,124 - \$109,000	0.00	1,208,124	1,208,124
Hawk Creek Watershed Clean Water Partnership Project	2014	\$8,599	2.00	155,169	89,148

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2008
Hawk Creek Watershed Continuation Clean Water Partnership Project	2016	\$17,027	2.00	307,260	250,600
Shakopee Creek Watershed Clean Water Partnership Project	2015	\$12,907	2.00	232,906	156,605
Hawk Creek Watershed Continuation Clean Water Partnership Project	2019	\$17,290	2.00	312,000	312,000
Shakopee Creek Watershed Continuation Clean Water Partnership Project	2018	\$11,526	2.00	208,000	208,000
Crow River Basin Clean Water Partnership Project	2021	\$15,791	2.00	284,960	284,960
Boiler Replacement Loan	2012	\$9,233	5.00	870,000	726,275
Total Loans Payable				<u>\$ 26,781,815</u>	<u>\$ 19,978,162</u>
1999 Paving Special Assessments	2009	\$1,516 - \$2,164	6.50	\$ 14,238	\$ 1,423
2000 Paving Special Assessments	2010	\$517 - \$796	7.25	4,819	963
Total Special Assessments				<u>\$ 19,057</u>	<u>\$ 2,386</u>

4. Debt Service Requirements

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31	Installment Purchase Obligations		General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 535,000	\$ 222,616	\$ 1,720,000	\$ 1,163,080	\$ 310,000	\$ 538,930
2010	560,000	198,113	2,255,000	1,079,909	320,000	514,985
2011	585,000	172,204	2,345,000	989,675	555,000	498,442
2012	615,000	144,750	2,160,000	900,670	575,000	477,200
2013	640,000	115,725	2,240,000	813,269	595,000	454,398
2014 - 2018	2,115,000	154,823	10,165,000	2,730,294	3,380,000	1,865,701
2019 - 2023	-	-	6,860,000	776,203	3,705,000	1,029,675
2024 - 2028	-	-	1,005,000	87,384	1,825,000	424,881
2029 - 2033	-	-	-	-	835,000	40,440
Total	<u>\$ 5,050,000</u>	<u>\$ 1,008,231</u>	<u>\$ 28,750,000</u>	<u>\$ 8,540,484</u>	<u>\$ 12,100,000</u>	<u>\$ 5,844,652</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements (Continued)

Year Ending December 31	Loans		Paving Special Assessments		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,312,575	\$ 450,822	\$ 1,905	\$ 163	\$ 300,220	\$ 166,113
2010	1,360,778	419,614	481	35	314,093	152,240
2011	1,408,149	386,941	-	-	328,607	137,726
2012	1,866,626	332,141	-	-	343,792	122,541
2013	1,405,166	296,347	-	-	359,679	106,654
2014 - 2018	7,308,324	948,548	-	-	2,063,609	268,055
2019 - 2023	3,466,208	158,918	-	-	-	-
2024 - 2028	1,078,000	12,880	-	-	-	-
2029 - 2033	772,336	-	-	-	-	-
Total	\$ 19,978,162	\$ 3,006,211	\$ 2,386	\$ 198	\$ 3,710,000	\$ 953,329

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Installment purchase obligation	\$ 5,560,000	\$ -	\$ 510,000	\$ 5,050,000	\$ 535,000
General obligation bonds	33,655,000	3,550,000	8,455,000	28,750,000	2,060,000
Special assessment debt with government commitment	6,300,000	6,100,000	300,000	12,100,000	310,000
Deferred (discount)/premiums	(6,978)	10,518	105,779	(102,239)	(148)
Total bonds payable	\$ 45,508,022	\$ 9,660,518	\$ 9,370,779	\$ 45,797,761	\$ 2,904,852
Paving special assessments	4,292	-	1,906	2,386	1,905
Capital lease	3,710,000	-	-	3,710,000	300,220
Loans payable	20,569,237	662,223	1,253,298	19,978,162	1,312,575
Estimated liability for landfill closure/postclosure	4,141,274	1,482,827	-	5,624,101	-
Compensated absences	3,091,274	159,921	18,927	3,232,268	10,778
Governmental Activities Long-Term Liabilities	\$ 77,024,099	\$ 11,965,489	\$ 10,644,910	\$ 78,344,678	\$ 4,530,330

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Changes in Long-Term Liabilities (Continued)

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

General	\$ 66,143
Road and Bridge	350,000
Sanitary Landfill/Recycling Center	235,000
Debt Service	2,955,876
Debt Service (Escrow Account)	6,830,000
Other governmental funds	<u>83,185</u>
Total Debt Reductions	<u>\$ 10,520,204</u>

6. Crossover Refunding

In 2004, the County issued \$7,045,000 G.O. Law Enforcement Facility Refunding Bonds to refund the G.O. Law Enforcement Facility Bonds, Series 2000, on the crossover date of February 8, 2008. In 2008, the Series 2000 Bonds were called, and the first payments on the 2004 bonds will be in 2009.

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary in 2008. Public Employees Police and Fire Fund members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate increased to 9.4 percent in 2009. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	<u>2008</u>	<u>2009</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>Public Employees Retirement Fund</u>	<u>Public Employees Police and Fire Fund</u>	<u>Public Employees Correctional Fund</u>
2008	\$ 991,582	\$ 291,070	\$ 193,764
2007	907,939	233,459	181,918
2006	878,398	210,155	177,311

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

B. Reporting of Postemployment Benefits Other Than Pensions

In 2008, the County implemented the requirements of a new accounting pronouncement, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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.

Funding Policy

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 2008, the County contributed \$164,118 to the plan; there were 430 participants in the plan.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefits (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 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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Reporting of Postemployment Benefits Other Than Pensions

Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	\$ 132,480
Interest on net OPEB obligation	-
Adjustment to ARC	-
	<hr/>
Annual OPEB cost (expense)	\$ 132,480
Contributions made	(164,118)
	<hr/>
Increase (Decrease) in Net OPEB Obligation	\$ (31,638)
Net OPEB Obligation - Beginning of Year	-
	<hr/>
Net OPEB Obligation - End of Year	\$ (31,638)
	<hr/>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 132,480	123.9%	\$ (31,638)

Funded Status and Funding Progress

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Reporting of Postemployment Benefits Other Than Pensions

Funded Status and Funding Progress (Continued)

as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the January 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of administrative expenses), which is Kandiyohi County's implicit rate of return on the General Fund, and an annual health care cost trend cost of nine percent initially, reduced by decrements to an ultimate rate of five percent after nine years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets is set equal to the market value of assets. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2008, was 29 years.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although the majority of the closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each year-end. The County estimated the cost of closure and postclosure care to be \$5,624,101 with no remaining capacity to be filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2008. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements and, at December 31, 2008, cash and investments of \$4,953,223 are held for these purposes. The County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

B. Risk Management

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$410,000 and \$430,000 per claim in 2008 and 2009, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

The County contributed \$34 per payroll period for each participating employee in 2008. 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, 2008 and 2007. The following discloses the claims activity during fiscal years 2007 and 2008.

	Year Ended December 31	
	2007	2008
Beginning liability	\$ -	\$ -
Current year claims	257,612	246,987
Claim payments	(257,612)	(246,987)
End-of-Year Liability	\$ -	\$ -

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

C. Contingent Liabilities

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

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

D. Joint Ventures

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

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

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

At December 31, 2008, the Youth Program had long-term debt of \$468,613. This debt consisted of \$167,219 related to compensated absences, \$256,667 for a contract for deed and \$44,727 for a boiler loan. Financing is provided by charges for services to member and nonmember counties.

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

Minnesota River Board

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

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

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures Continued)

Southwestern Minnesota Adult Mental Health Consortium

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

The following is a summary of the Consortium's annual financial report for the year ended December 31, 2007 (the most recent information available):

Total Assets	\$ 1,683,591
Total Liabilities	323,335
Total Net Assets	1,360,256
Total Revenues	3,359,694
Total Expenditures/Expenses	2,947,615
Increase (Decrease) in Net Assets	412,079

The Consortium reported no long-term obligations at December 31, 2007.

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Crow River Watershed

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

E. Jointly-Governed Organizations

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

Coordinated Enforcement Effort (CEE) VI Task Force

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

Regional Library

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Putting All Communities Together (PACT) 4 Families Collaborative

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

Kandiyohi County has no operational or financial control over the Collaborative.

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

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

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

Complete financial information for the EDC can be obtained at Kandiyohi County and City of Willmar Economic Development Commission, 333 Litchfield Avenue S.W., Suite 100, P. O. Box 1783, Willmar, Minnesota 56201.

F. Subsequent Events

The Board of County Commissioners, in its meeting on July 21, 2009, approved motions to award a bond sale of \$4,080,000 General Obligation Capital Improvement Bonds, Series 2009A, and \$1,375,000 General Obligation State-Aid Highway Refunding Bonds, Series 2009B.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies

The HRA is reporting as of and for the year ended June 30, 2008.

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

B. Property and Equipment

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

C. Bond Issuance Costs

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

D. Deposits and Investments

The HRA's cash and investments as of June 30, 2008, are summarized as follows:

Unrestricted	
Cash on deposit	\$ 311,211
Investments (certificates of deposit)	470,398
Restricted	
Cash on deposit	<u>30,666</u>
Total	<u>\$ 812,275</u>

In accordance with Minnesota statutes, the HRA maintains deposits at depository banks authorized by the Board. All such depositories are federally insured. The carrying amount of the HRA's deposits with financial institutions was \$812,275 as of June 30, 2008; the bank balance was \$826,999. There were no uninsured balances as of June 30, 2008.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

D. Deposits and Investments (Continued)

Minnesota statutes require that all HRA deposits be protected by insurance, surety bond, or collateral, and that securities pledged as collateral be legal instruments and be held in safekeeping by the HRA Treasurer or in a financial institution other than that furnishing the collateral. The market value of collateral pledged must generally exceed deposits not covered by insurance or bonds by at least ten percent. The HRA was in compliance with these Minnesota statutes at June 30, 2008.

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

E. Receivables

Receivables for the HRA at June 30, 2008, were as follows:

Accounts	\$ 33,429
Accrued interest	15,218
Taxes receivable	<u>64,543</u>
Total Receivables	<u><u>\$ 113,190</u></u>

F. Property and Equipment

The HRA's property and equipment activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 58,916	\$ -	\$ -	\$ 58,916
Landscaping	<u>23,443</u>	<u>-</u>	<u>-</u>	<u>23,443</u>
Total capital assets not depreciated	<u>\$ 82,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,359</u>
Capital assets depreciated				
Buildings	\$ 1,331,468	\$ -	\$ -	\$ 1,331,468
Carpeting	48,615	-	-	48,615
Machinery, furniture, and equipment	<u>48,362</u>	<u>-</u>	<u>-</u>	<u>48,362</u>
Total capital assets depreciated	<u>\$ 1,428,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,428,445</u>
Less: accumulated depreciation	<u>332,158</u>	<u>40,042</u>	<u>-</u>	<u>372,200</u>
Total capital assets, depreciated, net	<u>\$ 1,096,287</u>	<u>\$ (40,042)</u>	<u>\$ -</u>	<u>\$ 1,056,245</u>
Total Capital Assets, Net	<u><u>\$ 1,178,646</u></u>	<u><u>\$ (40,042)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,138,604</u></u>

Depreciation expense of \$40,042 was charged to housing and redevelopment expense.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

G. Payables

Payables for the HRA at June 30, 2008, were as follows:

Accounts	\$ 6,786
Accrued payroll and payroll taxes	28,341
Due to other governmental units	754
Other accrued liabilities	<u>12,655</u>
Total	<u>\$ 48,536</u>

H. Property Taxes

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

I. Long-Term Debt

Long-term debt outstanding at June 30, 2008, for the HRA consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
Essential Function Housing Development Bond of 1997	2030	5.25 - 8.75	<u>\$ 1,530,000</u>	<u>\$ 1,338,864</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

I. Long-Term Debt (Continued)

The estimated debt service requirements as of June 30, 2008, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 30,834	\$ 66,417	\$ 97,251
2010	32,411	64,840	97,251
2011	34,070	63,181	97,251
2012	35,813	61,438	97,251
2013	37,645	59,606	97,251
2014 - 2018	219,162	267,094	486,256
2019 - 2023	281,264	207,993	489,257
2024 - 2028	360,963	125,294	486,257
2029 - 2032	309,112	29,487	338,599
Total	<u>\$ 1,341,274</u>	<u>\$ 945,350</u>	<u>\$ 2,286,624</u>

J. Lease Agreement

The HRA, operating under a shared services agreement with the Housing and Redevelopment Authority in and for the City of Willmar, Minnesota, (Willmar HRA) entered into a five-year lease commencing November 1, 2003, for office space with Kandiyohi County. Under the terms of the lease, the HRA and the Willmar HRA are required to make monthly lease payments to the County in the amount of \$1,324.

Under the shared services agreement with the Willmar HRA, each party to the agreement will pay 50 percent of the aforementioned lease agreement in addition to other cost-shared services. Total HRA rental expense for the year ended June 30, 2008, totaled \$15,670.

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

2009	<u>\$ 5,296</u>
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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

K. Risk Management

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

L. Contingencies

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

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REQUIRED SUPPLEMENTARY INFORMATION

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 10,156,256	\$ 10,156,256	\$ 10,125,661	\$ (30,595)
Special assessments	44,900	44,900	122,372	77,472
Licenses and permits	408,600	408,600	386,964	(21,636)
Intergovernmental	4,217,694	4,217,694	4,767,391	549,697
Charges for services	4,445,900	4,445,900	5,030,838	584,938
Gifts and contributions	100	100	39,585	39,485
Investment earnings	610,800	610,800	724,556	113,756
Miscellaneous	584,400	584,400	1,793,289	1,208,889
Total Revenues	\$ 20,468,650	\$ 20,468,650	\$ 22,990,656	\$ 2,522,006
Expenditures				
Current				
General government				
Commissioners	\$ 330,200	\$ 330,200	\$ 306,482	\$ 23,718
Courts	25,000	25,000	19,475	5,525
Law library	100,000	100,000	116,847	(16,847)
County administrator	317,300	317,300	298,965	18,335
County auditor	1,335,500	1,335,500	1,089,236	246,264
County assessor	454,400	454,400	412,709	41,691
Elections	51,000	51,000	56,688	(5,688)
Records management	56,000	56,000	57,207	(1,207)
Data processing	818,900	818,900	497,561	321,339
Attorney	1,054,800	1,054,800	1,071,039	(16,239)
Recorder	463,800	463,800	654,782	(190,982)
Surveyor	64,000	64,000	57,193	6,807
Planning and zoning	467,500	467,500	635,052	(167,552)
Buildings and plant	483,600	483,600	455,750	27,850
Veterans service officer	150,900	150,900	143,573	7,327
Other general government	510,600	510,600	2,739,420	(2,228,820)
Total general government	\$ 6,683,500	\$ 6,683,500	\$ 8,611,979	\$ (1,928,479)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 5,004,700	\$ 5,004,700	\$ 5,682,867	\$ (678,167)
Boat and water safety	45,700	45,700	73,211	(27,511)
Coroner	40,000	40,000	58,309	(18,309)
E-911 system	-	-	27,821	(27,821)
Group home	-	-	27,183	(27,183)
County jail	4,439,200	4,439,200	4,062,812	376,388
Law enforcement center	663,500	663,500	682,615	(19,115)
Community corrections	2,119,200	2,119,200	2,138,522	(19,322)
Civil defense	206,300	206,300	199,101	7,199
Other	36,000	36,000	54,059	(18,059)
Total public safety	\$ 12,554,600	\$ 12,554,600	\$ 13,006,500	\$ (451,900)
Health				
Nursing service	\$ 2,393,200	\$ 2,393,200	\$ 2,375,480	\$ 17,720
Culture and recreation				
Historical society	\$ 65,000	\$ 65,000	\$ 65,000	\$ -
Parks	286,400	286,400	386,475	(100,075)
Other	30,800	30,800	28,907	1,893
Total culture and recreation	\$ 382,200	\$ 382,200	\$ 480,382	\$ (98,182)
Conservation of natural resources				
County extension	\$ 189,650	\$ 189,650	\$ 172,301	\$ 17,349
Soil and water conservation	128,600	128,600	128,600	-
Agricultural inspections	82,100	82,100	83,387	(1,287)
Agricultural society/county fair	20,000	20,000	20,000	-
Water planning	61,100	61,100	52,716	8,384
Environmental services	61,600	61,600	59,996	1,604
Land use	7,700	7,700	7,693	7
Other	192,500	192,500	147,287	45,213
Total conservation of natural resources	\$ 743,250	\$ 743,250	\$ 671,980	\$ 71,270
Economic development				
Community development	\$ 23,000	\$ 23,000	\$ 24,449	\$ (1,449)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Debt service				
Principal	\$ -	\$ -	\$ 66,143	\$ (66,143)
Interest	-	-	10,921	(10,921)
Bond issuance costs	-	-	16,142	(16,142)
Total Expenditures	\$ 22,779,750	\$ 22,779,750	\$ 25,263,976	\$ (2,484,226)
Excess of Revenues Over (Under)				
Expenditures	\$ (2,311,100)	\$ (2,311,100)	\$ (2,273,320)	\$ 37,780
Other Financing Sources (Uses)				
Transfers in	\$ 944,600	\$ 944,600	\$ 1,525,200	\$ 580,600
Loans issued	-	-	509,702	509,702
Bonds issued	-	-	3,550,000	3,550,000
Discount on bonds issued	-	-	(27,484)	(27,484)
Sale of capital assets	-	-	3,580	3,580
Total Other Financing Sources (Uses)	\$ 944,600	\$ 944,600	\$ 5,560,998	\$ 4,616,398
Net Change in Fund Balance	\$ (1,366,500)	\$ (1,366,500)	\$ 3,287,678	\$ 4,654,178
Fund Balance - January 1	8,020,772	8,020,772	8,020,772	-
Fund Balance - December 31	\$ 6,654,272	\$ 6,654,272	\$ 11,308,450	\$ 4,654,178

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,263,126	\$ 3,263,126	\$ 3,248,496	\$ (14,630)
Special assessments	-	-	5,404	5,404
Intergovernmental	8,836,874	8,836,874	10,076,029	1,239,155
Charges for services	500,000	500,000	1,594,235	1,094,235
Investment earnings	211,000	211,000	68,683	(142,317)
Total Revenues	\$ 12,811,000	\$ 12,811,000	\$ 14,992,847	\$ 2,181,847
Expenditures				
Current				
Highways and streets				
Administration	\$ -	\$ -	\$ 701,829	\$ (701,829)
Maintenance	3,625,000	3,625,000	2,468,807	1,156,193
Construction	7,547,000	7,547,000	8,294,721	(747,721)
Equipment maintenance and shop	425,000	425,000	776,203	(351,203)
Total highways and streets	\$ 11,597,000	\$ 11,597,000	\$ 12,241,560	\$ (644,560)
Intergovernmental				
Highways and streets	-	-	258,591	(258,591)
Debt service				
Principal	225,000	225,000	350,000	(125,000)
Interest	338,000	338,000	213,412	124,588
Total Expenditures	\$ 12,160,000	\$ 12,160,000	\$ 13,063,563	\$ (903,563)
Excess of Revenues Over (Under)				
Expenditures	\$ 651,000	\$ 651,000	\$ 1,929,284	\$ 1,278,284
Fund Balance - January 1	3,734,814	3,734,814	3,734,814	-
Increase (decrease) in reserved for inventories	-	-	(69,198)	(69,198)
Fund Balance - December 31	\$ 4,385,814	\$ 4,385,814	\$ 5,594,900	\$ 1,209,086

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 5,050,288	\$ 5,050,288	\$ 5,035,477	\$ (14,811)
Intergovernmental	7,856,769	7,856,769	8,839,462	982,693
Charges for services	532,700	532,700	420,107	(112,593)
Miscellaneous	146,600	146,600	256,530	109,930
Total Revenues	\$ 13,586,357	\$ 13,586,357	\$ 14,551,576	\$ 965,219
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,088,154	\$ 3,088,154	\$ 3,483,453	\$ (395,299)
Social services	10,389,007	10,389,007	10,532,465	(143,458)
Total Expenditures	\$ 13,477,161	\$ 13,477,161	\$ 14,015,918	\$ (538,757)
Excess of Revenues Over (Under)				
Expenditures	\$ 109,196	\$ 109,196	\$ 535,658	\$ 426,462
Fund Balance - January 1	7,072,635	7,072,635	7,072,635	-
Fund Balance - December 31	\$ 7,181,831	\$ 7,181,831	\$ 7,608,293	\$ 426,462

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
SANITARY LANDFILL/RECYCLING CENTER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	\$ 910,000	\$ 910,000	\$ 900,076	\$ (9,924)
Licenses and permits	800	800	710	(90)
Intergovernmental	-	-	156,742	156,742
Charges for services	2,343,000	2,343,000	2,787,858	444,858
Investment earnings	150,000	150,000	475,612	325,612
Miscellaneous	-	-	15,174	15,174
Total Revenues	\$ 3,403,800	\$ 3,403,800	\$ 4,336,172	\$ 932,372
Expenditures				
Current				
Sanitation				
Solid waste	\$ 1,733,100	\$ 1,733,100	\$ 1,879,068	\$ (145,968)
Capital outlay				
Sanitation	139,000	139,000	-	139,000
Debt service				
Principal	235,000	235,000	235,000	-
Interest	40,500	40,500	40,456	44
Administrative (fiscal) charges	1,000	1,000	432	568
Total Expenditures	\$ 2,148,600	\$ 2,148,600	\$ 2,154,956	\$ (6,356)
Excess of Revenues Over (Under)				
Expenditures	\$ 1,255,200	\$ 1,255,200	\$ 2,181,216	\$ 926,016
Other Financing Sources (Uses)				
Transfers in	\$ 440,000	\$ 440,000	\$ -	\$ (440,000)
Transfers out	(320,000)	(320,000)	(1,525,200)	(1,205,200)
Total Other Financing Sources (Uses)	\$ 120,000	\$ 120,000	\$ (1,525,200)	\$ (1,645,200)
Net Change in Fund Balance	\$ 1,375,200	\$ 1,375,200	\$ 656,016	\$ (719,184)
Fund Balance - January 1	9,665,418	9,665,418	9,665,418	-
Fund Balance - December 31	\$ 11,040,618	\$ 11,040,618	\$ 10,321,434	\$ (719,184)

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

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 5

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2008**

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

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Budgetary Information

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

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

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

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

2. Excess of Expenditures Over Budget

The following is a summary of individual major funds that had expenditures in excess of budget for the year ended December 31, 2008:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 25,263,976	\$ 22,779,750	\$ 2,484,226
Special Revenue Funds			
Road and Bridge	13,063,563	12,160,000	903,563
Human Services	14,015,918	13,477,161	538,757
Sanitary Landfill/Recycling Center	2,154,956	2,148,600	6,356

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Other Postemployment Benefits Funding Status

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

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

SUPPLEMENTARY INFORMATION

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2008**

	<u>Capital Equipment</u>	<u>County Building</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>
<u>Assets</u>				
Cash and pooled investments	\$ 2,626,041	\$ 3,810,190	\$ 170,365	\$ 333,034
Taxes receivable				
Prior	13,674	26,599	-	-
Special assessments receivable				
Prior	-	-	1,253	1,402
Noncurrent	-	-	366,867	124,906
Accounts receivable	-	525	438	-
Accrued interest receivable	25,917	52,926	982	2,775
Due from other funds	-	4,830	16,414	-
Due from other governments	-	-	71,524	-
Long-term receivable	-	256,666	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,665,632</u>	<u>\$ 4,151,736</u>	<u>\$ 627,843</u>	<u>\$ 462,117</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	55,513	94,100	-
Salaries payable	-	-	-	170
Due to other funds	-	9	14,305	-
Due to other governments	-	-	18,184	13
Deferred revenue - unavailable	36,547	72,011	257,056	128,027
Deferred revenue - unearned	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 36,547</u>	<u>\$ 127,533</u>	<u>\$ 383,645</u>	<u>\$ 128,210</u>
Fund Balances				
Reserved for long-term receivable	\$ -	\$ 256,666	\$ -	\$ -
Unreserved				
Designated for unrealized gains on investments	45,321	2,048	-	-
Undesignated	2,583,764	3,765,489	244,198	333,907
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>\$ 2,629,085</u>	<u>\$ 4,024,203</u>	<u>\$ 244,198</u>	<u>\$ 333,907</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 2,665,632</u>	<u>\$ 4,151,736</u>	<u>\$ 627,843</u>	<u>\$ 462,117</u>

Statement 1

<u>Green Lake Sewer</u>	<u>County Library</u>	<u>DARE</u>	<u>Health and Human Services Building</u>	<u>Forfeited Tax Sale</u>	<u>Regional Treatment Center</u>	<u>Total</u>
\$ 1,320,388	\$ 174,151	\$ 14,588	\$ 213,537	\$ 213,004	\$ -	\$ 8,875,298
-	6,576	-	3,802	-	-	50,651
9,450	-	-	-	-	-	12,105
1,997,385	-	-	-	-	-	2,489,158
4,646	-	-	1,548	-	-	7,157
-	-	-	-	-	-	82,600
-	-	-	159	-	178,883	200,286
44,899	-	-	8,104	-	11,802	136,329
-	-	-	-	-	-	256,666
<u>\$ 3,376,768</u>	<u>\$ 180,727</u>	<u>\$ 14,588</u>	<u>\$ 227,150</u>	<u>\$ 213,004</u>	<u>\$ 190,685</u>	<u>\$ 12,110,250</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 377,798	\$ 377,798
19,672	3,251	314	6,875	-	22,675	202,400
16,419	3,108	-	12,172	-	6,805	38,674
-	1,000	-	6,623	-	-	21,937
4,528	7,578	-	23,255	213,004	2,457	269,019
2,006,516	5,006	-	2,905	-	-	2,508,068
-	-	-	3,823	-	-	3,823
<u>\$ 2,047,135</u>	<u>\$ 19,943</u>	<u>\$ 314</u>	<u>\$ 55,653</u>	<u>\$ 213,004</u>	<u>\$ 409,735</u>	<u>\$ 3,421,719</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,666
-	-	-	-	-	-	47,369
1,329,633	160,784	14,274	171,497	-	(219,050)	8,384,496
<u>\$ 1,329,633</u>	<u>\$ 160,784</u>	<u>\$ 14,274</u>	<u>\$ 171,497</u>	<u>\$ -</u>	<u>\$ (219,050)</u>	<u>\$ 8,688,531</u>
<u>\$ 3,376,768</u>	<u>\$ 180,727</u>	<u>\$ 14,588</u>	<u>\$ 227,150</u>	<u>\$ 213,004</u>	<u>\$ 190,685</u>	<u>\$ 12,110,250</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, 2008**

	<u>Capital Equipment</u>	<u>County Building</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>
Revenues				
Taxes	\$ 598,951	\$ 1,195,379	\$ -	\$ -
Special assessments	-	-	331,862	128,068
Intergovernmental	91,296	188,238	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Gifts and contributions	-	-	-	-
Investment earnings	80,668	100,131	4,550	3,142
Miscellaneous	-	232,588	-	-
	<u>-</u>	<u>232,588</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 770,915</u>	<u>\$ 1,716,336</u>	<u>\$ 336,412</u>	<u>\$ 131,210</u>
Expenditures				
Current				
General government	\$ 109,460	\$ 133,282	\$ -	\$ -
Public safety	297,264	269,196	-	-
Highways and streets	25,333	-	-	-
Sanitation	-	-	-	130,986
Culture and recreation	-	175,179	-	-
Conservation of natural resources	-	-	488,041	-
Intergovernmental				
Culture and recreation	-	-	-	-
Debt service				
Principal	-	1,906	-	-
Interest	-	290	-	-
	<u>-</u>	<u>290</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 432,057</u>	<u>\$ 579,853</u>	<u>\$ 488,041</u>	<u>\$ 130,986</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ 338,858</u>	<u>\$ 1,136,483</u>	<u>\$ (151,629)</u>	<u>\$ 224</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	(500,000)	-	-
	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (500,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 338,858</u>	<u>\$ 636,483</u>	<u>\$ (151,629)</u>	<u>\$ 224</u>
Fund Balances - January 1	<u>2,290,227</u>	<u>3,387,720</u>	<u>395,827</u>	<u>333,683</u>
Fund Balances - December 31	<u>\$ 2,629,085</u>	<u>\$ 4,024,203</u>	<u>\$ 244,198</u>	<u>\$ 333,907</u>

Statement 2

Green Lake Sewer	County Library	DARE	Health and Human Services Building	Forfeited Tax Sale	Regional Treatment Center	Total
\$ -	\$ 283,373	\$ -	\$ 181,728	\$ -	\$ -	\$ 2,259,431
2,525	-	-	-	-	-	462,455
-	42,913	-	27,701	-	-	350,148
734,879	-	-	-	-	-	734,879
-	-	17,365	-	-	-	17,365
-	-	500	-	-	-	500
41,193	-	-	-	-	-	229,684
13,078	30,240	-	556,530	3,549	906,823	1,742,808
\$ 791,675	\$ 356,526	\$ 17,865	\$ 765,959	\$ 3,549	\$ 906,823	\$ 5,797,270
\$ -	\$ -	\$ -	\$ 541,473	\$ 3,549	\$ 420,405	\$ 1,208,169
-	-	13,587	-	-	-	580,047
-	-	-	-	-	-	25,333
867,101	-	-	-	-	-	998,087
-	176,578	-	-	-	-	351,757
-	-	-	-	-	-	488,041
-	332,800	-	-	-	-	332,800
-	-	-	-	-	81,279	83,185
-	-	-	-	-	208,256	208,546
\$ 867,101	\$ 509,378	\$ 13,587	\$ 541,473	\$ 3,549	\$ 709,940	\$ 4,275,965
\$ (75,426)	\$ (152,852)	\$ 4,278	\$ 224,486	\$ -	\$ 196,883	\$ 1,521,305
\$ -	\$ -	\$ -	\$ 500,000	\$ -	\$ -	\$ 500,000
-	-	-	(757,645)	-	-	(1,257,645)
\$ -	\$ -	\$ -	\$ (257,645)	\$ -	\$ -	\$ (757,645)
\$ (75,426)	\$ (152,852)	\$ 4,278	\$ (33,159)	\$ -	\$ 196,883	\$ 763,660
1,405,059	313,636	9,996	204,656	-	(415,933)	7,924,871
\$ 1,329,633	\$ 160,784	\$ 14,274	\$ 171,497	\$ -	\$ (219,050)	\$ 8,688,531

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 606,190	\$ 606,190	\$ 598,951	\$ (7,239)
Intergovernmental	101,810	101,810	91,296	(10,514)
Investment earnings	-	-	80,668	80,668
Total Revenues	\$ 708,000	\$ 708,000	\$ 770,915	\$ 62,915
Expenditures				
Current				
General government	\$ -	\$ -	\$ 109,460	\$ (109,460)
Public safety	-	-	297,264	(297,264)
Highways and streets	-	-	25,333	(25,333)
Total Expenditures	\$ -	\$ -	\$ 432,057	\$ (432,057)
Excess of Revenues Over (Under)				
Expenditures	\$ 708,000	\$ 708,000	\$ 338,858	\$ (369,142)
Fund Balance - January 1	2,290,227	2,290,227	2,290,227	-
Fund Balance - December 31	\$ 2,998,227	\$ 2,998,227	\$ 2,629,085	\$ (369,142)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,209,332	\$ 1,209,332	\$ 1,195,379	\$ (13,953)
Intergovernmental	204,168	204,168	188,238	(15,930)
Investment earnings	-	-	100,131	100,131
Miscellaneous	-	-	232,588	232,588
Total Revenues	\$ 1,413,500	\$ 1,413,500	\$ 1,716,336	\$ 302,836
Expenditures				
Current				
General government	\$ 481,000	\$ 481,000	\$ 133,282	\$ 347,718
Public safety	150,000	150,000	269,196	(119,196)
Culture and recreation	282,500	282,500	175,179	107,321
Debt service				
Principal	-	-	1,906	(1,906)
Interest	-	-	290	(290)
Total Expenditures	\$ 913,500	\$ 913,500	\$ 579,853	\$ 333,647
Excess of Revenues Over (Under)				
Expenditures	\$ 500,000	\$ 500,000	\$ 1,136,483	\$ 636,483
Other Financing Sources (Uses)				
Transfers out	(500,000)	(500,000)	(500,000)	-
Net Change in Fund Balance	\$ -	\$ -	\$ 636,483	\$ 636,483
Fund Balance - January 1	3,387,720	3,387,720	3,387,720	-
Fund Balance - December 31	\$ 3,387,720	\$ 3,387,720	\$ 4,024,203	\$ 636,483

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
GREEN LAKE SEWER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Special assessments	\$ -	\$ -	\$ 2,525	\$ 2,525
Charges for services	846,746	846,746	734,879	(111,867)
Investment earnings	-	-	41,193	41,193
Miscellaneous	6,000	6,000	13,078	7,078
Total Revenues	\$ 852,746	\$ 852,746	\$ 791,675	\$ (61,071)
Expenditures				
Current				
Sanitation	818,683	818,683	867,101	(48,418)
Excess of Revenues Over (Under)				
Expenditures	\$ 34,063	\$ 34,063	\$ (75,426)	\$ (109,489)
Fund Balance - January 1	1,405,059	1,405,059	1,405,059	-
Fund Balance - December 31	<u>1,439,122</u>	<u>1,439,122</u>	<u>1,329,633</u>	<u>(109,489)</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
COUNTY LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 284,780	\$ 284,780	\$ 283,373	\$ (1,407)
Intergovernmental	135,120	135,120	42,913	(92,207)
Miscellaneous	28,500	28,500	30,240	1,740
Total Revenues	\$ 448,400	\$ 448,400	\$ 356,526	\$ (91,874)
Expenditures				
Current				
Culture and recreation	\$ 171,700	\$ 171,700	\$ 176,578	\$ (4,878)
Intergovernmental				
Culture and recreation	332,800	332,800	332,800	-
Total Expenditures	\$ 504,500	\$ 504,500	\$ 509,378	\$ (4,878)
Excess of Revenues Over (Under)				
Expenditures	\$ (56,100)	\$ (56,100)	\$ (152,852)	\$ (96,752)
Fund Balance - January 1	313,636	313,636	313,636	-
Fund Balance - December 31	\$ 257,536	\$ 257,536	\$ 160,784	\$ (96,752)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 10

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Shared Revenue

State

Highway users tax	\$ 3,645,612
Market value credit	626,485
Market value credit - mobile home	1,377
Market value credit - agricultural	216,625
PERA rate reimbursement	25,092
Disparity reduction aid	55,211
County program aid	364,317
Police aid	69,981
E-911	89,645
Petroleum tax relief	1,235
	<hr/>

Total Shared Revenue	<u>\$ 5,095,580</u>
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Reimbursement for Services

Minnesota Department of Human Services	<u>\$ 517,331</u>
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Payments

Local

Local contributions	\$ 36,386
Payments in lieu of taxes	19,386
	<hr/>

Total Payments	<u>\$ 55,772</u>
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Grants

State

Minnesota Department of Corrections	\$ 42,817
Transportation	713,062
Health	198,336
Natural Resources	17,472
Human Services	933,445
Water and Soil Resources Board	84,893
Peace Officer Standards and Training Board	4,406
Pollution Control Agency	413,943
	<hr/>

Total State	<u>\$ 2,408,374</u>
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Grants

Federal

Department of Agriculture	\$ 167,256
Health and Human Services	961,813
Homeland Security	11,097
Environmental Protection Agency	2,146
	<hr/>

Total Federal	<u>\$ 1,142,312</u>
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Total State and Federal Grants	<u>\$ 3,550,686</u>
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Total Intergovernmental Revenue	<u><u>\$ 9,219,369</u></u>
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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>CURRENT SCHOOL</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 245,060	\$ 10,977,130	\$ 11,001,521	\$ 220,669
<u>Liabilities</u>				
Due to other governments	\$ 245,060	\$ 10,977,130	\$ 11,001,521	\$ 220,669
<u>DEED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 58,289	\$ 530,907	\$ 562,671	\$ 26,525
<u>Liabilities</u>				
Due to other governments	\$ 58,289	\$ 530,907	\$ 562,671	\$ 26,525
<u>GAME AND FISH</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 132	\$ 25,904	\$ 25,092	\$ 944
<u>Liabilities</u>				
Due to other governments	\$ 132	\$ 25,904	\$ 25,092	\$ 944

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>MORTGAGE REGISTRY TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>78,515</u>	\$ <u>647,524</u>	\$ <u>676,740</u>	\$ <u>49,299</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>78,515</u>	\$ <u>647,524</u>	\$ <u>676,740</u>	\$ <u>49,299</u>
<u>WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>4,511</u>	\$ <u>232,194</u>	\$ <u>233,345</u>	\$ <u>3,360</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>4,511</u>	\$ <u>232,194</u>	\$ <u>233,345</u>	\$ <u>3,360</u>
<u>COUNTY-WIDE LEVY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 15,966	\$ 647,567	\$ 649,643	\$ 13,890
Taxes receivable - delinquent	<u>347</u>	<u>-</u>	<u>347</u>	<u>-</u>
Total Assets	\$ <u>16,313</u>	\$ <u>647,567</u>	\$ <u>649,990</u>	\$ <u>13,890</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>16,313</u>	\$ <u>647,567</u>	\$ <u>649,990</u>	\$ <u>13,890</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>STATE AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 224,924	\$ 13,087,866	\$ 13,103,417	\$ 209,373
Due from other governments	256	-	256	-
Total Assets	<u>\$ 225,180</u>	<u>\$ 13,087,866</u>	<u>\$ 13,103,673</u>	<u>\$ 209,373</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 225,180</u>	<u>\$ 13,087,866</u>	<u>\$ 13,103,673</u>	<u>\$ 209,373</u>
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 160,007	\$ 56,604,863	\$ 56,581,086	\$ 183,784
Accrued interest receivable	3,065	-	3,065	-
Total Assets	<u>\$ 163,072</u>	<u>\$ 56,604,863</u>	<u>\$ 56,584,151</u>	<u>\$ 183,784</u>
<u>Liabilities</u>				
Accounts payable	\$ 17	\$ -	\$ 17	\$ -
Due to other governments	163,055	56,604,863	56,584,134	183,784
Total Liabilities	<u>\$ 163,072</u>	<u>\$ 56,604,863</u>	<u>\$ 56,584,151</u>	<u>\$ 183,784</u>
<u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 143,247</u>	<u>\$ 10,210,204</u>	<u>\$ 10,202,775</u>	<u>\$ 150,676</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 143,247</u>	<u>\$ 10,210,204</u>	<u>\$ 10,202,775</u>	<u>\$ 150,676</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>KANDIYOHI COUNTY/CITY OF WILLMAR EDC</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 815,288	\$ 464,582	\$ 350,706
Due from other governments	4,899	-	4,899	-
Total Assets	<u>\$ 4,899</u>	<u>\$ 815,288</u>	<u>\$ 469,481</u>	<u>\$ 350,706</u>
<u>Liabilities</u>				
Accounts payable	\$ 4,066	\$ 7,734	\$ 4,066	\$ 7,734
Due to other governments	833	807,554	465,415	342,972
Total Liabilities	<u>\$ 4,899</u>	<u>\$ 815,288</u>	<u>\$ 469,481</u>	<u>\$ 350,706</u>
<u>CEE VI TASK FORCE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 223,706	\$ 706,762	\$ 712,140	\$ 218,328
Due from other governments	36,929	-	36,929	-
Total Assets	<u>\$ 260,635</u>	<u>\$ 706,762</u>	<u>\$ 749,069</u>	<u>\$ 218,328</u>
<u>Liabilities</u>				
Accounts payable	\$ 4,349	\$ -	\$ 4,349	\$ -
Due to other governments	256,286	706,762	744,720	218,328
Total Liabilities	<u>\$ 260,635</u>	<u>\$ 706,762</u>	<u>\$ 749,069</u>	<u>\$ 218,328</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,154,357	\$ 94,486,209	\$ 94,213,012	\$ 1,427,554
Taxes receivable - delinquent	347	-	347	-
Accrued interest receivable	3,065	-	3,065	-
Due from other governments	42,084	-	42,084	-
Total Assets	<u>\$ 1,199,853</u>	<u>\$ 94,486,209</u>	<u>\$ 94,258,508</u>	<u>\$ 1,427,554</u>
<u>Liabilities</u>				
Accounts payable	\$ 8,432	\$ 7,734	\$ 8,432	\$ 7,734
Due to other governments	1,191,421	94,478,475	94,250,076	1,419,820
Total Liabilities	<u>\$ 1,199,853</u>	<u>\$ 94,486,209</u>	<u>\$ 94,258,508</u>	<u>\$ 1,427,554</u>

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OTHER SCHEDULES

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 11

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

	2007		2008		2009	
	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)
Tax Capacity						
Real property	\$ 37,086,911		\$ 41,187,890		\$ 43,862,426	
Personal property	771,637		768,161		760,289	
Less: tax increment	<u>(358,550)</u>		<u>(300,241)</u>		<u>(256,132)</u>	
Net Tax Capacity	<u>\$ 37,499,998</u>		<u>\$ 41,655,810</u>		<u>\$ 44,366,583</u>	
Taxes Levied for County Purposes						
General	\$ 11,709,850	28.849	\$ 11,753,050	26.118	\$ 12,760,068	26.569
Road and Bridge	3,658,000	9.012	3,840,000	8.534	3,997,000	8.323
Human Services	5,870,600	14.464	5,950,600	13.224	6,114,700	12.732
Health and Human Services	160,600	0.396	214,700	0.478	288,700	0.602
County Building	1,086,500	2.677	1,413,500	3.142	1,210,500	2.521
County Library*	313,600	1.097	332,800	1.044	345,800	1.008
Building Bonds Sinking	1,506,000	3.686	1,639,300	3.619	1,425,600	2.950
ARMOR Radio Bonds	-	-	-	-	624,400	1.292
Capital Equipment	529,500	1.305	708,000	1.574	896,984	1.868
Kandiyohi Area Transit	<u>9,000</u>	<u>0.025</u>	<u>9,000</u>	<u>0.022</u>	<u>9,000</u>	<u>0.021</u>
Total Levy for County Purposes	<u>\$ 24,843,650</u>	<u>61.511</u>	<u>\$ 25,860,950</u>	<u>57.755</u>	<u>\$ 27,672,752</u>	<u>57.886</u>
Less Aids Payable by State**	<u>(2,043,341)</u>		<u>(2,084,034)</u>		<u>(2,271,211)</u>	
Net Levy for County Purposes	<u>\$ 22,800,309</u>		<u>\$ 23,776,916</u>		<u>\$ 25,401,541</u>	
Tax Capacity - Light and Power						
Assessed at 43%	\$ 23,200		\$ 21,408		\$ 20,974	
Assessed at 5%	<u>2,774</u>		<u>2,635</u>		<u>2,532</u>	
Total Tax Capacity - Light and Power	<u>\$ 25,974</u>		<u>\$ 24,043</u>		<u>\$ 23,506</u>	
Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)						
Assessed at 43%	\$ 24,446	105.374	\$ 21,212	99.087	\$ 20,798	99.161
Assessed at 5%	<u>2,923</u>	<u>105.374</u>	<u>2,610</u>	<u>99.087</u>	<u>2,510</u>	<u>99.161</u>
Total Light and Power Tax Levies	<u>\$ 27,369</u>		<u>\$ 23,822</u>		<u>\$ 23,308</u>	

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

**2009 aids payable by state are estimated.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 11
(Continued)

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

	2007		2008		2009	
	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)
Special Assessments						
Ditch liens and assessments	<u><u>\$ 75,401</u></u>		<u><u>\$ 129,208</u></u>		<u><u>\$ 74,778</u></u>	
Sewer systems liens and assessments	<u><u>\$ 1,312,166</u></u>		<u><u>\$ 1,282,091</u></u>		<u><u>\$ 1,664,848</u></u>	
Sanitary landfill liens and assessments	<u><u>\$ 874,260</u></u>		<u><u>\$ 899,739</u></u>		<u><u>\$ 909,112</u></u>	
Percentage of Collections for All Purposes	98.53%		98.27%			

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 12

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2008**

	<u>Maturities</u>	<u>Rates</u>	<u>Amount</u>
Pooled Deposits and Investments			
Checking accounts			
Bremer Bank of Willmar		0.45%	\$ 130,518
Bremer Bank of Willmar		0.50%	6,591
US Bank of Willmar		3.00%	285,336
US Bank of Willmar			<u>350,464</u>
Total checking accounts			<u>\$ 772,909</u>
Savings accounts			
Atwater State Bank		3.01%	\$ 81,875
North American State Bank		4.15%	519,412
Citizens State Bank - Lake Lillian		0.85%	86,019
United Minnesota Bank		1.00%	15,286
Home State Bank		0.30%	55,994
Lake Region Bank - New London		0.40%	53,296
Prinsburg State Bank		0.91%	39,137
Concorde Bank		0.79%	37,905
United Prairie Bank		0.50%	19,602
Wells Fargo		4.38%	2,237,624
Lake Region Bank - Willmar		4.83%	<u>2,739,746</u>
Total savings accounts			<u>\$ 5,885,896</u>
Certificates of deposit			
Bank of the West of Worthington	February 26, 2009	4.61%	<u>\$ 2,000,000</u>
Repurchase agreement			
Bremer Bank of Willmar		3.29%	<u>\$ 4,788,160</u>
U.S. government securities			
Morgan Keegan	February 19, 2013	4.00%	\$ 718,795
Morgan Keegan	June 23, 2015	4.10%	<u>507,340</u>
Total U.S. government securities			<u>\$ 1,226,135</u>
MAGIC Fund			
Cadre Financial Services		Various	<u>\$ 15,218,950</u>
Total pooled deposits and investments			<u>\$ 29,892,050</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**Schedule 12
(Continued)**

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2008**

	<u>Maturities</u>	<u>Rates</u>	<u>Amount</u>
Fund Deposits and Investments			
General Fund			
Certificates of deposit			
Atwater State Bank	July 10, 2009	4.07%	\$ 101,713
Home State Bank - Willmar	July 16, 2009	1.75%	200,000
Bremer Bank	Various	3.13% to 4.00%	181,513
Bremer Bank	April 6, 2009	3.30%	97,000
Bremer Bank	May 29, 2009	3.25%	97,000
Total certificates of deposit			<u>\$ 677,226</u>
Money market account			
Charles Schwab Institutional			<u>\$ 646</u>
U.S. government securities			
Charles Schwab & Co., Inc.	Various	4.00% to 6.00%	\$ 1,547,537
Morgan Keegan	Various	3.30% to 6.00%	3,143,917
Total U.S. government securities			<u>\$ 4,691,454</u>
Total General Fund			<u>\$ 5,369,326</u>
Road and Bridge Special Revenue Fund			
Certificates of deposit			
Concorde Bank	March 22, 2009	4.06%	<u>\$ 100,000</u>
U.S. government securities			
Charles Schwab & Co., Inc.	February 12, 2013	4.13%	\$ 2,000,854
Morgan Keegan	Various	4.00% to 6.00%	612,880
Total U.S. government securities			<u>\$ 2,613,734</u>
Total Road and Bridge Special Revenue Fund			<u>\$ 2,713,734</u>
County Building Special Revenue Fund			
U.S. government securities			
Morgan Keegan	Various	4.00%	\$ 300,863
Charles Schwab & Co., Inc.	Various	4.13% to 6.00%	3,001,606
Total U.S. government securities			<u>\$ 3,302,469</u>
Capital Equipment Special Revenue Fund			
U.S. government securities			
Charles Schwab & Co., Inc.	Various	4.00% to 6.00%	<u>\$ 2,045,321</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**Schedule 12
(Continued)**

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2008**

	<u>Maturities</u>	<u>Rates</u>	<u>Amount</u>
Fund Deposits and Investments (Continued)			
Ditch Special Revenue Fund			
Certificates of deposit			
United Prairie Bank	March 20, 2009	4.06%	<u>\$ 175,000</u>
Eagle Lake Sewer Special Revenue Fund			
Certificates of deposit			
Bremer Bank of Willmar	June 11, 2009	5.20%	\$ 50,000
United Prairie Bank	April 9, 2009	4.75%	<u>125,000</u>
Total Eagle Lake Sewer Special Revenue Fund			<u>\$ 175,000</u>
Sanitary Landfill/Recycling Center Special Revenue Fund			
U.S. government securities			
Charles Schwab & Co., Inc.	Various	5.00% to 6.00%	\$ 5,120,490
Morgan Keegan	Various	3.28% to 5.67%	2,144,128
Prudential Securities	February 26, 2015	4.00%	<u>251,023</u>
Total Sanitary Landfill/Recycling Center Special Revenue Fund			<u>\$ 7,515,641</u>
County Cemetery Investment Trust Fund			
Certificates of deposit			
Bremer Bank of Willmar	June 28, 2009	4.60%	<u>\$ 25,000</u>
Taxes and Penalties Agency Fund			
Certificates of deposit			
Bremer Bank of Willmar	Various	3.13% to 5.20%	<u>\$ 116,992</u>
Total fund deposits and investments			<u>\$ 21,438,483</u>
Total Deposits and Investments			<u><u>\$ 51,330,533</u></u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2008**

	Assets					
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable		Receivables	Due from Other Funds
			Delinquent	Deferred		
County Ditches						
#7	\$ 1,171	\$ -	\$ -	\$ -	\$ -	\$ -
#7 Rep D	7,520	-	-	-	-	-
#8	5,728	-	-	-	-	-
#8A	(601)	-	-	932	-	180
#8 Lat A	547	-	-	-	-	-
#8 Lat B	(27)	-	-	-	-	-
#9	2,184	-	-	-	-	-
#9 Lat 1 Br A	22,986	-	-	-	-	-
#10 Impr C	(15,385)	-	1	4,238	73	651
#12	(2,633)	-	-	-	-	-
#15	(1,859)	-	-	609	-	-
#16A	(2,154)	-	-	2,993	-	318
#18A	(997)	-	-	1,833	-	142
#19	(2,652)	-	3	-	2	-
#20	1,051	-	-	-	-	-
#23A	(12,058)	-	-	899	4	110
#23A, Main & Br 1 Relocate	(23,597)	-	-	-	-	-
#24A	(21,126)	-	-	19,459	4	1,597
#24A Lat G	470	-	-	-	-	-
#24A Lat H	475	-	-	-	-	-
#24A Lat H-1	258	-	-	-	-	-
#24A Lat J	1,328	-	-	-	-	-
#26	(2,796)	-	-	36,717	-	1,870
#27	(22,169)	-	-	20,912	-	264
#28	45,137	-	-	-	-	-
#28 Impr Br 7	(1,643)	-	-	1,998	-	158
#28 Lat A Br 4	7,409	-	-	-	-	-
#28 Impr Br 5	119	-	-	-	-	-
#29	2,360	-	-	-	-	-
#31 Impr	119,163	125,701	-	-	-	-
#31 Lat A of Br 10 of Lat 10	479	-	-	-	-	-
#31 Lat A of Br 2 of Lat 10	12,648	-	-	-	-	-
#34	96	-	-	-	-	-
#37	(157)	-	389	-	-	-
#38	(7,045)	-	-	6,573	-	58
#40	(2,110)	-	-	2,374	-	28
#42	(450)	-	-	-	-	-
#43	(865)	-	-	-	-	-
#45	99	-	-	-	-	-
#46	2,588	-	-	-	20	-
#47	(5,477)	-	-	12,161	68	131
#48	(250)	-	-	-	-	-

Schedule 13

		Liabilities				Fund	Total
Due from	Total		Due to	Deferred	Total	Balances -	Liabilities
Other	Assets	Payables	Other	Revenue	Liabilities	Unreserved	and Fund
Governments			Funds			Undesignated	Balances
\$ -	\$ 1,171	\$ -	\$ -	\$ -	\$ -	\$ 1,171	\$ 1,171
-	7,520	-	-	-	-	7,520	7,520
-	5,728	-	-	-	-	5,728	5,728
201	712	-	-	447	447	265	712
-	547	-	-	-	-	547	547
-	(27)	-	-	-	-	(27)	(27)
-	2,184	-	-	-	-	2,184	2,184
-	22,986	-	-	-	-	22,986	22,986
4,100	(6,322)	4,662	1,051	5,339	11,052	(17,374)	(6,322)
-	(2,633)	515	-	-	515	(3,148)	(2,633)
188	(1,062)	-	100	231	331	(1,393)	(1,062)
497	1,654	-	-	1,919	1,919	(265)	1,654
550	1,528	829	-	774	1,603	(75)	1,528
-	(2,647)	4,998	-	3	5,001	(7,648)	(2,647)
-	1,051	-	-	-	-	1,051	1,051
1,301	(9,744)	-	1,386	1,609	2,995	(12,739)	(9,744)
-	(23,597)	-	-	-	-	(23,597)	(23,597)
3,576	3,510	-	-	12,310	12,310	(8,800)	3,510
-	470	855	-	-	855	(385)	470
-	475	-	-	-	-	475	475
-	258	-	-	-	-	258	258
-	1,328	-	-	-	-	1,328	1,328
-	35,791	-	-	17,203	17,203	18,588	35,791
126	(867)	6,045	-	6,479	12,524	(13,391)	(867)
-	45,137	2,242	-	-	2,242	42,895	45,137
-	513	-	-	-	-	513	513
-	7,409	-	-	-	-	7,409	7,409
-	119	-	-	-	-	119	119
-	2,360	-	-	-	-	2,360	2,360
-	244,864	20,544	-	-	20,544	224,320	244,864
-	479	-	-	-	-	479	479
-	12,648	-	-	-	-	12,648	12,648
-	96	-	-	-	-	96	96
-	232	-	300	389	689	(457)	232
87	(327)	598	-	838	1,436	(1,763)	(327)
83	375	-	-	198	198	177	375
-	(450)	-	-	-	-	(450)	(450)
-	(865)	-	-	-	-	(865)	(865)
-	99	-	-	-	-	99	99
-	2,608	1,621	-	-	1,621	987	2,608
405	7,288	9,502	8,357	2,981	20,840	(13,552)	7,288
-	(250)	342	-	-	342	(592)	(250)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2008**

	Assets					
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable			Due from Other Funds
			Delinquent	Deferred	Receivables	
County Ditches (Continued)						
#50	855	-	-	-	-	-
#51	1,140	-	8	-	-	-
#51 Lat A-1	1,402	-	5	-	-	-
#52	2,994	-	-	-	-	-
#54	487	-	-	-	-	-
#54 Impr	26,668	-	-	-	-	-
#55	1,708	-	508	-	-	-
#56	(1,746)	-	-	1,407	-	91
#58	1,304	-	-	-	-	-
#60	1,508	-	-	-	-	-
#61	539	-	-	-	-	-
#62	2,639	-	-	-	-	-
#63	974	-	-	-	-	-
#64	(1,944)	-	-	10,258	-	337
#65	1,778	-	-	-	-	-
State Ditch						
#1 Impr Div 2	3	-	-	-	-	-
Judicial Ditches						
#1 M & K	16,079	-	264	-	-	-
#1 Lat A, M & K	611	-	-	-	-	-
#1 Lat M & K	(22,134)	-	-	84,841	-	-
#1 Lat B, M & K	(17,214)	-	-	9,572	-	1,028
#1 Lat A of Lat B, M & K	4,462	-	-	-	-	-
#1 Br 4 of Lat B, M & K	1,698	-	-	-	-	-
#1 Lat C, M & K	144	-	-	-	-	-
#1 Lat D, M & K	482	-	-	-	-	-
#1 Lat E, M & K	1,070	-	-	-	-	-
#1 Br 2 of Lat F, M & K	5,966	-	-	-	-	-
#1 Lat G, M & K	(4,441)	-	-	5,382	-	-
#2 R & K	(11,870)	-	-	12,522	-	308
#2 Lat 3, R & K	767	-	-	-	-	-
#2 Lat 4, R & K	690	-	-	-	-	-
#2 Lat A of Lat 4, R & K	406	-	-	-	-	-
#2 Lat 5, R & K	(1,542)	-	-	2,140	-	441
#2 Lat 7, R & K	55	-	-	-	-	-
#2 Lat 8, R & K	(3,964)	-	-	4,683	-	105
#2 C & K	(289)	-	-	1,081	7	19
#2 St & K	211	-	-	-	-	-

Schedule 13
(Continued)

Due from Other Governments	Total Assets	Liabilities				Fund Balances - Unreserved Undesignated	Total Liabilities and Fund Balances
		Payables	Due to Other Funds	Deferred Revenue	Total Liabilities		
-	855	-	-	-	-	855	855
-	1,148	690	-	-	690	458	1,148
-	1,407	-	-	-	-	1,407	1,407
-	2,994	-	-	-	-	2,994	2,994
-	487	-	-	-	-	487	487
-	26,668	-	-	-	-	26,668	26,668
-	2,216	-	-	356	356	1,860	2,216
171	(77)	378	-	697	1,075	(1,152)	(77)
-	1,304	3,437	-	-	3,437	(2,133)	1,304
-	1,508	761	-	-	761	747	1,508
-	539	607	-	-	607	(68)	539
-	2,639	-	-	-	-	2,639	2,639
-	974	427	-	-	427	547	974
63	8,714	271	1,843	3,313	5,427	3,287	8,714
-	1,778	62	767	-	829	949	1,778
-	3	-	-	-	-	3	3
1,618	17,961	11,289	-	1,671	12,960	5,001	17,961
-	611	611	-	-	611	-	611
-	62,707	969	-	84,841	85,810	(23,103)	62,707
1,926	(4,688)	1,943	-	7,161	9,104	(13,792)	(4,688)
-	4,462	296	-	-	296	4,166	4,462
-	1,698	-	-	-	-	1,698	1,698
-	144	248	-	-	248	(104)	144
-	482	-	-	-	-	482	482
-	1,070	452	-	-	452	618	1,070
-	5,966	6,193	-	-	6,193	(227)	5,966
-	941	859	-	-	859	82	941
643	1,603	3,086	-	7,583	10,669	(9,066)	1,603
30	797	377	-	30	407	390	797
2	692	192	-	2	194	498	692
-	406	57	-	-	57	349	406
12	1,051	983	-	996	1,979	(928)	1,051
-	55	-	-	-	-	55	55
84	908	226	-	1,877	2,103	(1,195)	908
235	1,053	1,734	-	609	2,343	(1,290)	1,053
-	211	-	-	-	-	211	211

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2008**

	Assets					
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable			Due from Other Funds
			Delinquent	Deferred	Receivables	
Judicial Ditches (Continued)						
#3 Lat B, K & C	(51)	-	-	852	-	34
#3 Lat A of Lat B, K & C	(1,742)	-	-	3,104	-	103
#3 Lat C, C & K	(1,105)	-	-	4,018	-	139
#3 Lat D, C & K	34,680	50,281	-	-	-	-
#3 Impr Br 5 & 6, C & K	1,156	-	-	-	-	-
#3 Impr Br 7 & 8, C & K	730	-	-	-	-	-
#3 Impr Br 9, C & K	1,833	-	-	-	-	-
#3 Impr Br 10, C & K	167	-	-	-	-	-
#3 Br 10 of Lat A, C & K	498	-	-	-	-	-
#3 St & K	329	-	22	-	-	-
#3 Rep A, St & K	2,047	-	-	-	-	-
#7 C, K & R (& Rep F)	(200)	-	53	-	209	-
#7 Lat A, C, K & R	849	-	-	-	-	-
#7 Lat B, C, K & R	2,681	-	-	-	-	-
#7 Lat E, C, K & R	206	-	-	-	-	-
#10 R & K	102	-	-	-	-	-
#11 K & M	(128,685)	-	-	84,652	-	6,380
#16 R & K	(37,873)	-	-	22,375	-	1,485
#17 M & K	(13,496)	-	-	2,402	9	271
#17 Rep A, M & K	4,475	-	-	-	-	-
#17 Br 4 of Lat A, M & K	545	-	-	-	-	-
#17 Br 4 of Lat B, M & K	7,192	-	-	-	-	-
#18 Sw, K & C	(2,124)	-	-	1,786	42	145
#18 M & K	357	-	-	-	-	-
#18 Lat A, M & K	5,751	-	-	-	-	-
#18 Lat C, M & K	1,403	-	-	-	-	-
#19 Sw & K	(238)	-	-	382	-	-
#21 R, C & K	339	-	-	-	-	-
#21 Sw, K & C	(281)	-	-	190	-	21
#29 Rep B, R, M & K	81	-	-	-	-	-
Total	\$ (4,635)	\$ 175,982	\$ 1,253	\$ 366,867	\$ 438	\$ 16,414

Schedule 13
(Continued)

Due from Other Governments	Total Assets	Liabilities				Fund Balances - Unreserved Undesignated	Total Liabilities and Fund Balances
		Payables	Due to Other Funds	Deferred Revenue	Total Liabilities		
67	902	-	-	674	674	228	902
282	1,747	-	-	1,744	1,744	3	1,747
159	3,211	-	-	1,628	1,628	1,583	3,211
65	85,026	-	-	65	65	84,961	85,026
-	1,156	-	-	-	-	1,156	1,156
-	730	-	-	-	-	730	730
-	1,833	-	-	-	-	1,833	1,833
22	189	-	-	22	22	167	189
9	507	112	-	9	121	386	507
942	1,293	-	501	963	1,464	(171)	1,293
-	2,047	-	-	-	-	2,047	2,047
2,875	2,937	13,657	-	2,913	16,570	(13,633)	2,937
507	1,356	-	-	507	507	849	1,356
33	2,714	540	-	33	573	2,141	2,714
38	244	-	-	38	38	206	244
-	102	-	-	-	-	102	102
27,864	(9,789)	300	-	56,291	56,591	(66,380)	(9,789)
4,293	(9,720)	5,818	-	12,443	18,261	(27,981)	(9,720)
16,535	5,721	-	-	17,212	17,212	(11,491)	5,721
-	4,475	-	-	-	-	4,475	4,475
-	545	-	-	-	-	545	545
-	7,192	-	-	-	-	7,192	7,192
1,446	1,295	1,689	-	2,097	3,786	(2,491)	1,295
45	402	-	-	45	45	357	402
18	5,769	315	-	18	333	5,436	5,769
25	1,428	722	-	25	747	681	1,428
142	286	117	-	185	302	(16)	286
54	393	-	-	54	54	339	393
182	112	112	-	211	323	(211)	112
23	104	1	-	23	24	80	104
\$ 71,524	\$ 627,843	\$ 112,284	\$ 14,305	\$ 257,056	\$ 383,645	\$ 244,198	\$ 627,843

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 14

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Total Primary Government</u>	<u>Housing and Redevelopment Authority Component Unit</u>
Shared Revenue		
State		
Highway users tax	\$ 7,730,231	\$ -
County program aid	1,649,511	-
Market value credit	1,782,866	-
PERA rate reimbursement	73,608	-
Disparity reduction aid	20,751	-
Police aid	216,774	-
Enhanced 911	125,541	-
	<hr/>	<hr/>
Total Shared Revenue	\$ 11,599,282	\$ -
	<hr/>	<hr/>
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 1,437,203	\$ -
	<hr/>	<hr/>
Payments		
Local		
Payments in lieu of taxes	\$ 188,273	\$ -
Other contributions	1,083	-
	<hr/>	<hr/>
Total Payments	\$ 189,356	\$ -
	<hr/>	<hr/>
Grants		
State		
Minnesota Department/Board of		
Corrections	\$ 850,221	\$ -
Public Safety	18,095	-
Health	187,949	-
Natural Resources	23,739	-
Human Services	2,859,603	-
Veterans Affairs	67,000	-
Water and Soil Resources	346,702	-
Pollution Control Agency	153,729	-
	<hr/>	<hr/>
Total State	\$ 4,507,038	\$ -
	<hr/>	<hr/>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**Schedule 14
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Total Primary Government</u>	<u>Housing and Redevelopment Authority Component Unit</u>
Grants (Continued)		
Federal		
Department of		
Agriculture	\$ 534,226	\$ -
Housing and Urban Development	-	1,215,533
Interior	138	-
Transportation	1,875,007	-
Health and Human Services	4,213,146	-
Homeland Security	54,038	-
	<hr/>	<hr/>
Total Federal	<u>\$ 6,676,555</u>	<u>\$ 1,215,533</u>
Total State and Federal Grants	<u>\$ 11,183,593</u>	<u>\$ 1,215,533</u>
Total Intergovernmental Revenue	<u><u>\$ 24,409,434</u></u>	<u><u>\$ 1,215,533</u></u>

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 15

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Kandiyohi County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Kandiyohi County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Kandiyohi County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Kandiyohi County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- | | |
|-----------------------------------|--------------|
| Highway Planning and Construction | CFDA #20.205 |
| Child Support Enforcement | CFDA #93.563 |
| Child Care Development Cluster | |
| Development Block Grant | CFDA #93.575 |
| Mandatory and Matching Funds | CFDA #93.596 |
| Medical Assistance Program | CFDA #93.778 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Kandiyohi County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-8 Departmental Internal Accounting Control

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

Control procedures should include management's determination that:

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

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

Client's Response:

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

06-1 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a material misstatement in the financial statements not initially identified by the entity's internal controls.

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

- Deferred revenues - unavailable was reduced and various revenues were increased by \$603,853 in the General Fund.
- A reduction was made to retainage payable in the Road and Bridge Special Revenue Fund for \$217,310.
- An amount due from other governments and related intergovernmental revenue of \$382,484 in the Road and Bridge Special Revenue Fund was recorded.
- A reclassification of intergovernmental revenues from state to federal for approximately \$1.8 million was made in the Human Services Special Revenue Fund.
- Audit adjustments were also necessary to adjust modified accrual financial statements to the accrual basis for the government-wide financial statements.

Proposed audit adjustments were reviewed and approved by the appropriate staff and are reflected in the financial statements.

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

Client's Response:

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

07-1 Accounting Policies and Procedures Manual

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

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

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

Client's Response:

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

07-2 Journal Entries

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

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

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

Client's Response:

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

07-4 Annual Adopted Budget and Budget Policy

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

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

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

- which funds require budgets,
- the legal level of budgetary control,

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

Client's Response:

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

ITEM ARISING THIS YEAR

08-1 Capital Assets Policies and Procedures

For financial reporting and asset management purposes, the County is required to keep records of its capital assets, including infrastructure. The County maintains its capital asset records on a separate software system from Computer Professionals. Capital asset additions and deletions are entered into this system, and depreciation is calculated by the system. Capital assets policies utilized by the County in maintaining the capital asset system have not been formally approved. A capital assets policy should be adopted which defines the County's accounting policies over capital assets, such as capitalization thresholds, useful lives, and depreciation methods.

The County also does not have policies and procedures in place to identify capital asset additions and deletions for entry to the capital asset system. County employees generally identify capital asset additions by reviewing capital expenditure accounts at year-end and determining which assets to capitalize and by sending out listings to the departments for their review and return with changes. No system is in place to identify asset disposals, and it is not clear how the old costs of infrastructure assets no longer in use are being deleted, if at all. We also noted that the County is carrying a significant amount of fully depreciated assets. A physical inventory of capital assets has not been done since the capital asset records were initially established.

We recommend the County Board establish a capital assets policy to define the County's accounting policies over capital assets. The Board should also establish policies and procedures to identify capital asset additions and deletions. Department heads should report capital asset additions and deletions to the person maintaining the capital asset

records at least annually. Also, we recommend a physical inventory of capital assets be performed periodically. This physical inventory can be rotated so that a portion of the capital assets is inventoried each year. Each asset should be counted at least once every four years. Some critical capital assets may need more frequent accounting.

Client's Response:

Kandiyohi County currently has a draft copy of Capital Assets Policy and Procedures being reviewed by County administration. When finalized, the Capital Assets Policy will be presented to the County Board for approval.

PREVIOUSLY REPORTED ITEM RESOLVED

Jail Inmate Account Bank Reconciliation (07-3)

The Kandiyohi County jail was unable to identify the breakdown of the total cash balance stated on TEAM, its inmate account tracking system. Jail personnel were, therefore, unable to fully reconcile the amount in the TEAM system to the bank statement.

Resolution

Due to changes in the TEAM system, the County is now able to perform computerized bank reconciliations.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

Identification of Federal Awards - CFDA No. 66.458 (07-5)

OMB Circular A-133 Subpart C § .300 indicates auditee responsibilities, which include identifying all federal awards received and expended and the federal programs under which they were received and preparing appropriate financial statements, including the Schedule of Expenditures of Federal Awards. The County did not meet this responsibility in regard to the federal awards program for CFDA No. 66.458.

Resolution

The County has developed policies and procedures addressing its responsibility to identify all federal awards received and expended.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Cash Overdrafts

At December 31, 2008, the Regional Treatment Center Special Revenue Fund had a cash overdraft of \$377,798.

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

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

Client's Response:

The Kandiyohi County Board of Commissioners will review the status of the Regional Treatment Center Special Revenue Fund and if necessary an inter-fund transfer will be made in October 2009.

96-3 Individual Ditch System Cash Deficits

On December 31, 2008, 41 of the 109 individual ditch systems had deficit cash balances totaling \$380,512. Minnesota Statutes § 385.31 permits the payment of expenditures provided there is money in that fund for that purpose. It also provides that warrants are to be registered if a specific fund has insufficient funds to pay for expenditures incurred against it. Minnesota Statutes § 103E.655, subd. 2, allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay expenditures against it. Any such loans must be repaid with interest. Allowing any ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from funds of the County and, as such, is in noncompliance with Minnesota law.

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

Client's Response:

In 2009, one-year ditch repair liens will be levied.

07-8

Prompt Payment of Invoices

Minnesota Statutes § 471.425 requires the County to make payment on vendor invoices according to the terms of the contract or within 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later. Four of 25 vouchers tested during our audit had invoices not paid within the 35-day time period required by the statute.

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

Client's Response:

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

PREVIOUSLY REPORTED ITEMS RESOLVED

Insufficient Collateral to Secure Deposits (07-6)

At December 31, 2007, deposits with the Home Bank exceeded the amount of federal deposit insurance and collateral pledged by \$11,816.

Resolution

At December 31, 2008, all of the County's deposits were fully protected by federal deposit insurance and collateral pledged.

Vehicle Expense Reimbursement (07-7)

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

Resolution

The County is no longer paying the Public Works Director the monthly allowance of \$800 and is now in compliance with Minnesota statutes.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-11 Ditch Special Revenue Fund - Equity Balance Deficits

As of December 31, 2008, 37 of the 109 individual ditch systems had deficit unreserved, undesignated fund balances totaling \$281,953. Minnesota Statutes § 103E.735, subd. 1, provides that a repair fund may be established for any ditch system, not to exceed 20 percent of the assessed benefits of the ditch system, or \$40,000, whichever is larger.

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

Client's Response:

In 2009 one-year ditch repair liens will be levied.

PREVIOUSLY REPORTED ITEMS RESOLVED

Capital Asset Accounting System (00-2)

The County's capital asset system is not interfaced with its general ledger; therefore, capital assets purchased are not recorded in the capital asset system when the expenditures are recorded in the general ledger.

Resolution

The County has considered interfacing its capital asset system and general ledger; however, at this time, its computer software provider (Computer Professionals Unlimited, Inc.) does not offer this option and has no plans to in the near future. The County has other methods available to generate the capital asset amounts that are entered into its capital asset system.

Credit Card Policy (07-9)

The County does not have a comprehensive credit card policy.

Resolution

The County Board has adopted a comprehensive credit card policy.



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

Board of County Commissioners
Kandiyohi County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 11, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Kandiyohi County Housing and Redevelopment Authority (HRA) for the year ended June 30, 2008, as described in our report on Kandiyohi County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-8, 06-1, 07-1, 07-2, 07-4, and 08-1 to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

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

Also included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to Kandiyohi County, and it is reported for that purpose.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 11, 2009

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

Board of County Commissioners
Kandiyohi County

Compliance

We have audited the compliance of Kandiyohi County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Kandiyohi County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Kandiyohi County's financial statements include the operations of the Kandiyohi County Housing and Redevelopment Authority (HRA), a component unit, which expended \$1,215,533 in federal awards during the year ended June 30, 2008, that are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the HRA because other auditors were engaged to perform a separate single audit in accordance with OMB Circular A-133.

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

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

In our opinion, Kandiyohi County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

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

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 11, 2009. We did not audit the financial statements of the Kandiyohi County HRA discretely presented component unit for the year ended June 30, 2008. Those statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 11, 2009

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 16

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Direct		
Conservation Reserve Program	10.069	\$ 7,908
Passed Through Minnesota Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	250,218
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for Food Stamp Program	10.561	<u>276,100</u>
Total U.S. Department of Agriculture		<u>\$ 534,226</u>
U.S. Department of the Interior		
Passed Through Minnesota Department of Natural Resources		
Wildlife Restoration	15.611	<u>\$ 138</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	\$ 1,825,260
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	10,908
Minimum Penalties for Repeat Offenders for DWI	20.608	<u>38,839</u>
Total U.S. Department of Transportation		<u>\$ 1,875,007</u>
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Immunization Grants	93.268	\$ 2,000
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	253,143
Temporary Assistance for Needy Families (TANF)	93.558	5,565
Maternal and Child Health Services Block Grant	93.994	53,604

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**Schedule 16
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	36,299
Temporary Assistance for Needy Families (TANF)	93.558	717,626
Child Support Enforcement	93.563	726,601
Refugee and Entrant Assistance - State-Administered Programs	93.566	3,778
Child Care Development Cluster		
Child Care and Development Block Grant	93.575	380,311
Child Care Mandatory and Matching Funds	93.596	177,878
Foster Care Title IV-E	93.658	292,462
Social Services Block Grant Title XX	93.667	329,667
Chafee Foster Care Independence Program	93.674	13,700
State Children's Insurance Program	93.767	909
Medical Assistance Program	93.778	1,205,717
Block Grants for Community Mental Health Services	93.958	13,886
Total U.S. Department of Health and Human Services		\$ 4,213,146
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 31,779
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	22,259
Total U.S. Department of Homeland Security		\$ 54,038
Total Federal Awards		\$ 6,676,555

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Kandiyohi County. The County's reporting entity is defined in Note 1 to the basic financial statements. The schedule does not include \$1,215,533 in federal awards expended by the Kandiyohi County HRA component unit, which had a separate single audit performed by other auditors.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. During 2008, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.