

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**Kandiyohi County
Willmar, Minnesota**

Year Ended December 31, 2019

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 100 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 Minnesota’s local 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, 2019



**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**

ORGANIZATION
2019

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	Corky Berg	January 2019	January 2023
2nd District	Steve Ahmann	January 2017	January 2021
3rd District	Roland Nissen*	January 2019	January 2023
4th District	Roger Imdieke	January 2017	January 2021
5th District	Harlan Madsen**	January 2017	January 2021
Officers			
Elected			
Attorney	Shane Baker	January 2019	January 2023
Sheriff	Eric Holien	January 2019	January 2023
Appointed			
Administrator	Larry Kleindl		Indefinite
Assessor	Valora Svor	November 2017	November 2021
Auditor/Treasurer	Mark Thompson		Indefinite
Recorder	Julie Kalkbrenner		Indefinite
Registrar of Titles	Julie Kalkbrenner		Indefinite
Examiner of Titles	Brad Schmidt		Indefinite
Public Works Director	Melvin Odens	September 2019	September 2023
Veterans Service Officer	Trisha Appledorn	January 2019	January 2023
Human Services Director	Jennifer Lippert		Indefinite
Medical Examiner	Richard Kacher	January 2019	January 2023
Surveyor	Duane Bonnema		Indefinite
Community Corrections Director	Tami Jo Lieberg		Indefinite

*Chair

**Vice Chair

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Kandiyohi County
Willmar, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2019, including the Kandiyohi County Housing and Redevelopment Authority (HRA) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kandiyohi County HRA, which represent the amounts shown as the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Kandiyohi County HRA component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County as of December 31, 2019, including the Kandiyohi County HRA as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Subsequent Event

As discussed in Note 4.F. to the financial statements, subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. A reduction of calendar year 2021 County State Aid from state-collected gasoline tax revenue is expected to occur. In addition, it is expected the County will experience an increase of expenditures and, as a result, has received grant revenue to reduce the effects of COVID-19. The Kandiyohi County HRA component unit has also been awarded grant revenue. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Restructuring of Funds

As discussed in Note 1.D.15. to the financial statements, in 2019, the County reclassified a portion of governmental activities as a business-type activity and for the first time reported the Glacial Lakes Sanitary Sewer and Water Enterprise Fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting

Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kandiyohi County's basic financial statements. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2020, 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 solely 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 effectiveness of Kandiyohi County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kandiyohi County's internal control over financial reporting and compliance. It does not include the Kandiyohi County HRA, which was audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 11, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(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, 2019. 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

- The Glacial Lakes Sanitary Sewer and Water Enterprise Fund was established in 2019 through a reclassification of existing activities from the Glacial Lake Sewer Special Revenue Fund, a portion of the Debt Service Fund, and the Capital Projects Fund. Capital assets, unavailable revenue recognized on a full accrual basis, general long-term debt, and deferred outflows and inflows of resources with related net pension liability and other postemployment benefits liability previously reported as governmental activities, were contributed to the Glacial Lakes Sanitary Sewer and Water Enterprise Fund and reported as business-type activities.
- Governmental activities' total net position is \$177,785,767, of which \$135,504,589 is the net investment in capital assets, and \$17,000,263 is restricted to specific purposes.
- Business-type activities' total net position is \$28,165,497, of which \$15,896,320 is the net investment in capital assets, \$8,053,755 is restricted to specific purposes, and unrestricted is \$4,215,422.
- Kandiyohi County's net position increased by \$11,205,556 for the year ended December 31, 2019. Of the increase, \$11,206,685 was in the governmental activities' net position, while the business-type activities' net position decreased by \$1,129.
- The net cost of Kandiyohi County's governmental activities for the year ended December 31, 2019, was \$33,111,082. General revenues and transfers in totaling \$44,317,767 funded the net cost.
- The net earnings of Kandiyohi County's business-type activities for the year ended December 31, 2019, were \$201,045. General revenues and transfers out totaling (\$202,174) were used, resulting in the net position decrease of \$1,129.

- Governmental funds' net change in fund balances was an increase of \$7,002,532 in 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Our analysis of the County as a whole begins with Exhibits 1 and 2. The Statement of Net Position and the Statement of Activities, respectively, 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, deferred outflows of resources, liabilities, and deferred inflows of resources using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in them. You can think of the County's net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position 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 Position and the Statement of Activities, we divide the County into three kinds of activities:

- Governmental activities—The County’s basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- Business-type activities—The County has Glacial Lakes Sanitary Sewer and Water reported under business-type activities because it is intended to cover all or a significant portion of its costs through user fees and charges.
- 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 three kinds of funds—governmental, proprietary, and fiduciary—use different accounting methods.

- Governmental funds—The County’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement. The basic governmental fund financial statements are Exhibit 3 through 6 of this report.
- Proprietary funds—The County’s Glacial Lakes Sanitary Sewer and Water is included in the proprietary fund reporting, which are Exhibits 7 through 9 of this report. Proprietary funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services be financed or recovered primarily through user fees and charges.

- Fiduciary funds—The County is an agent for individuals, private organizations, other governments, or other funds. All of the County’s fiduciary activities are reported in the Statement of Fiduciary Net Position on Exhibit 10. 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.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found directly after the fund financial statements of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on net position (Table 1) with 2018 comparative data presented as restated and changes in net position (Table 2) of the County’s governmental and business-type activities. Because 2019 is the first year Glacial Lakes Sanitary Sewer and Water was reported as a proprietary fund, comparative data for the changes in net position (Table 2) is unavailable.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018
Assets						
Current and other assets	\$ 85,648,062	\$ 76,718,301	\$ 25,296,514	\$ 15,018,046	\$ 110,944,576	\$ 91,736,347
Capital assets	140,674,799	139,011,705	33,810,021	32,094,728	174,484,820	171,106,433
Total Assets	\$ 226,322,861	\$ 215,730,006	\$ 59,106,535	\$ 47,112,774	\$ 285,429,396	\$ 262,842,780
Deferred Outflows of Resources						
Deferred other postemployment benefits outflows	\$ 87,512	\$ 55,710	\$ 848	\$ 540	\$ 88,360	\$ 56,250
Deferred pension outflows	4,543,581	7,975,475	37,759	122,561	4,581,340	8,098,036
Total Deferred Outflows of Resources	\$ 4,631,093	\$ 8,031,185	\$ 38,607	\$ 123,101	\$ 4,669,700	\$ 8,154,286
Liabilities						
Long-term liabilities	\$ 39,600,606	\$ 40,718,722	\$ 30,503,123	\$ 18,598,653	\$ 70,103,729	\$ 59,317,375
Other liabilities	4,058,672	3,210,410	404,315	319,273	4,462,987	3,529,683
Total Liabilities	\$ 43,659,278	\$ 43,929,132	\$ 30,907,438	\$ 18,917,926	\$ 74,566,716	\$ 62,847,058
Deferred Inflows of Resources						
Advance from other governments	\$ 284,826	\$ 669,891	\$ -	\$ -	\$ 284,826	\$ 669,891
Deferred other postemployment benefits inflows	29,151	-	283	-	29,434	-
Deferred pension inflows	9,194,932	12,583,086	71,924	151,323	9,266,856	12,734,409
Total Deferred Inflows of Resources	\$ 9,508,909	\$ 13,252,977	\$ 72,207	\$ 151,323	\$ 9,581,116	\$ 13,404,300
Net Position						
Net investment in capital assets	\$ 135,504,589	\$ 132,174,356	\$ 15,896,320	\$ 13,953,133	\$ 151,400,909	\$ 146,127,489
Restricted	17,000,263	14,496,350	8,053,755	3,952,685	25,054,018	18,449,035
Unrestricted	25,280,915	19,908,376	4,215,422	10,260,808	29,496,337	30,169,184
Total Net Position	\$ 177,785,767	\$ 166,579,082	\$ 28,165,497	\$ 28,166,626	\$ 205,951,264	\$ 194,745,708

The restatement of 2018 activities is the result of the establishment of the Glacial Lakes Sanitary Sewer and Water Enterprise Fund, which is reported in the Notes to the Financial Statements, Note 1.D.15.

Kandiyohi County's total net position as of December 31, 2019, is \$205,951,264. The governmental activities and the business-type activities of the County report unrestricted net position of \$25,280,915 and \$4,215,422, respectively.

Changes in Net Position

The County-wide total revenues were \$88,978,464 for the year ended December 31, 2019. Taxes and intergovernmental revenues accounted for 75.53 percent of total revenues for the year. (See Figures A-3 and A-4.)

Table 2
Changes in Net Position

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 14,311,869	\$ 3,555,094	\$ 17,866,963
Operating grants and contributions	23,099,520	10,000	23,109,520
Capital grants and contributions	3,886,388	-	3,886,388
General revenues			
Taxes	37,641,784	-	37,641,784
Grants and contributions not restricted to specific programs	2,571,650	-	2,571,650
Investment earnings	2,467,005	47,826	2,514,831
Other	1,387,328	-	1,387,328
Total Revenues	\$ 85,365,544	\$ 3,612,920	\$ 88,978,464
Expenses			
General government	\$ 11,925,007	\$ -	\$ 11,925,007
Public safety	16,956,086	-	16,956,086
Highways and streets	15,827,453	-	15,827,453
Sanitation	3,892,332	-	3,892,332
Human services	19,402,143	-	19,402,143
Health	2,599,482	-	2,599,482
Culture and recreation	1,497,288	-	1,497,288
Conservation of natural resources	2,183,693	-	2,183,693
Economic development	35,181	-	35,181
Interest	90,194	-	90,194
Glacial Lakes Sanitary Sewer and Water	-	3,364,049	3,364,049
Total Expenses	\$ 74,408,859	\$ 3,364,049	\$ 77,772,908
Change in Net Position Before Transfers	\$ 10,956,685	\$ 248,871	\$ 11,205,556
Transfers	250,000	(250,000)	-
Change in Net Position	\$ 11,206,685	\$ (1,129)	\$ 11,205,556
Beginning Net Position, as restated*	166,579,082	28,166,626	194,745,708
Ending Net Position	\$ 177,785,767	\$ 28,165,497	\$ 205,951,264

*The restatement is the result of the establishment of the Glacial Lakes Sanitary Sewer and Water Enterprise Fund, which is reported in the Notes to the Financial Statements, Note 1.D.15.

Figure A-3
Sources of County Revenues for Fiscal Year 2019

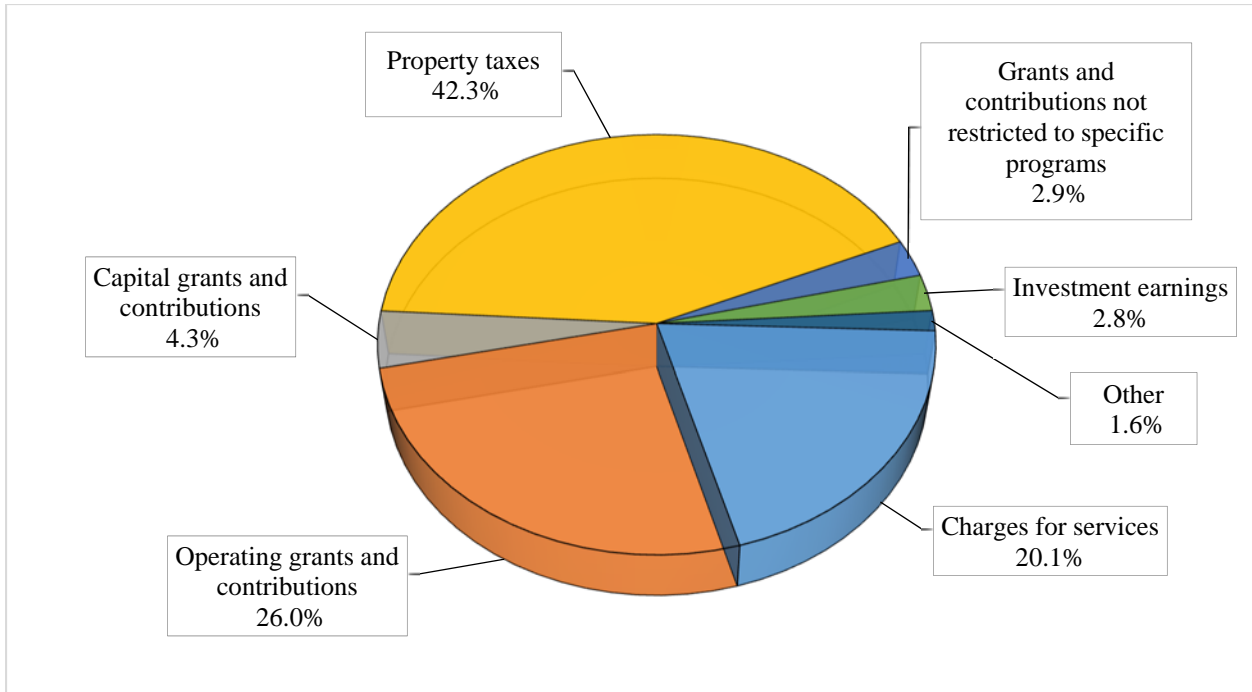
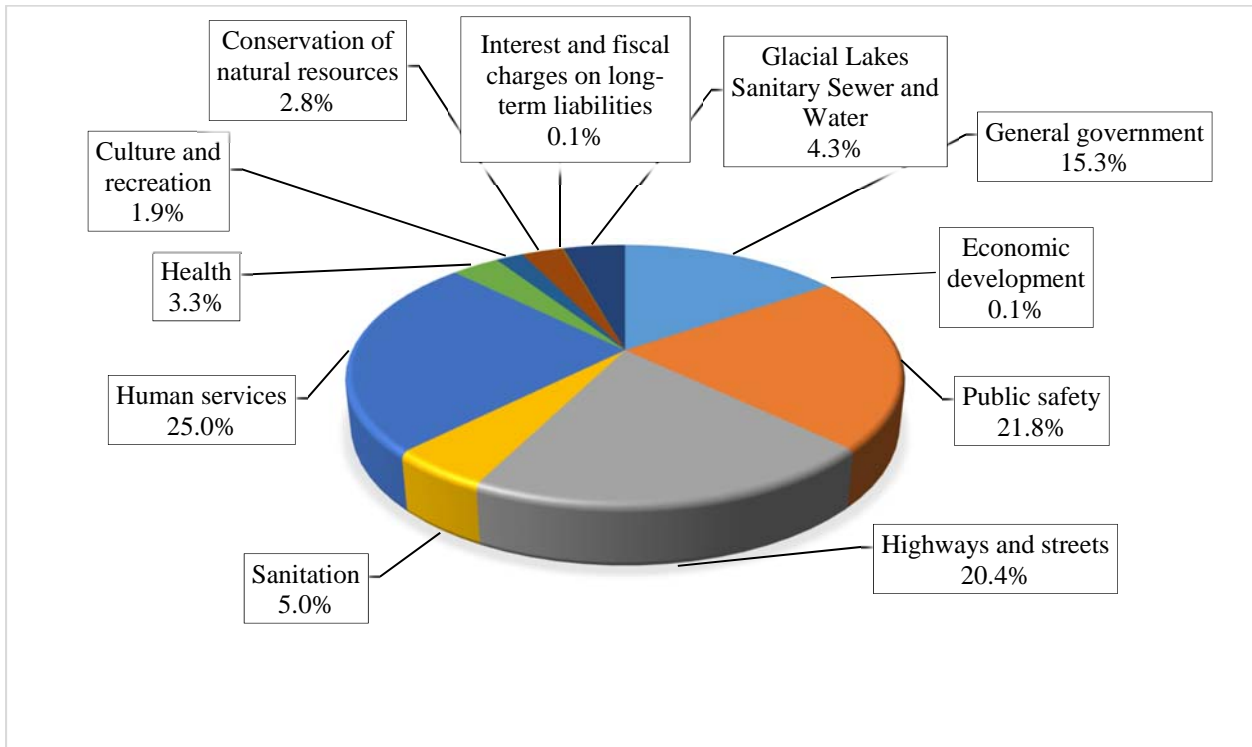


Figure A-4
Sources of County Expenses for Fiscal Year 2019



Total revenues surpassed expenses, increasing net position \$11,205,556 over last year.

The County-wide cost of all governmental activities and business-type activities this year was \$74,408,859 and \$3,364,049, respectively.

- Some of the cost was paid by the users of the County’s programs (\$17,866,963).
- The federal and state governments subsidized certain programs with grants and contributions (\$26,995,908).
- Some of the County’s costs (\$32,910,037), however, were paid for by County taxpayers and the taxpayers of our state. This portion of government-wide activities was paid for with \$37,641,784 in property and other taxes, and \$6,473,809 of state aid, investment earnings, and other general revenues.

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

**Table A-5
Governmental Activities and Business-Type Activities**

	Total Cost of Services		Percent (%) Change	Net Cost of Services		Percent (%) Change
	2019	2018		2019	2018	
General government	\$ 11,925,007	\$ 11,839,412	0.7	\$ 8,906,876	\$ 8,662,465	2.8
Public safety	16,956,086	15,661,378	8.3	12,676,001	11,109,600	14.1
Highways and streets	15,827,453	10,010,516	58.1	3,551,511	(107,619)	(3,400.1)
Sanitation	3,892,332	6,469,164	(39.8)	(460,608)	(1,334,600)	(65.5)
Human services	19,402,143	17,733,339	9.4	7,053,347	6,689,270	5.4
Health	2,599,482	2,405,384	8.1	662,137	782,343	(15.4)
Culture and recreation	1,497,288	1,697,153	(11.8)	762,742	922,941	(17.4)
Conservation of natural resources	2,183,693	3,351,680	(34.8)	(166,299)	1,719,111	(109.7)
Economic development	35,181	33,117	6.2	35,181	33,117	6.2
Interest	90,194	617,823	(85.4)	90,194	617,823	(85.4)
Glacial Lakes Sanitary Sewer and Water	3,364,049	-	NA	(201,045)	-	NA
Total	\$ 77,772,908	\$ 69,818,966	11.4	\$ 32,910,037	\$ 29,094,451	13.1

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 \$73,413,413.

Revenues for the County’s governmental funds were \$83,892,042, while total expenditures were \$77,515,914. During 2019, the County also issued loans which are included in other financing sources and uses.

GENERAL FUND

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

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

**Table A-6
General Fund Revenues**

	Year Ended December 31		Change	
	2019	2018	Increase (Decrease)	Percent (%)
Taxes	\$ 18,251,551	\$ 17,084,226	\$ 1,167,325	6.8
Intergovernmental	6,078,712	5,290,162	788,550	14.9
Charges for services	4,855,896	5,524,537	(668,641)	(12.1)
Investment earnings	1,623,577	797,489	826,088	103.6
Miscellaneous and other	2,061,130	2,530,101	(468,971)	(18.5)
Total General Fund Revenues	\$ 32,870,866	\$ 31,226,515	\$ 1,644,351	5.3

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

**Table A-7
General Fund Expenditures**

	Year Ended December 31		Change	
	2019	2018	Increase (Decrease)	Percent (%)
General government	\$ 9,949,370	\$ 9,872,683	\$ 76,687	0.8
Public safety	15,730,276	15,310,642	419,634	2.7
Health	2,565,591	2,439,380	126,211	5.2
Culture and recreation	793,792	801,756	(7,964)	(1.0)
Conservation of natural resources	1,403,932	1,776,453	(372,521)	(21.0)
Economic development	35,181	33,117	2,064	6.2
Debt service	348,241	352,400	(4,159)	(1.2)
Total General Fund Expenditures	\$ 30,826,383	\$ 30,586,431	\$ 239,952	0.8

General Fund Budgetary Highlights

- Actual revenues were \$4,382,927 more than budgeted.
- Actual expenditures were \$1,803,193 more than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019, the County had invested \$257,623,417 in a broad range of capital assets, including land, landfill, buildings, computers, equipment, and infrastructure. (See Table A-8.) (More detailed information about capital assets can be found in Note 3.A.3. to the financial statements.) Total depreciation expense for the year was \$5,720,880.

**Table A-8
Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018
Land	\$ 7,112,189	\$ 6,827,936	\$ 130,500	\$ 130,500	\$ 7,242,689	\$ 6,958,436
Construction in progress	14,878,977	8,891,531	2,670,747	-	17,549,724	8,891,531
Landfill	11,067,912	10,929,750	-	-	11,067,912	10,929,750
Buildings	45,688,241	45,477,799	782,139	782,139	46,470,380	46,259,938
Machinery, furniture, and equipment	20,458,038	20,713,007	372,605	387,732	20,830,643	21,100,739
Infrastructure	110,814,393	110,760,149	43,332,194	43,332,194	154,146,587	154,092,343
Software	315,482	315,482	-	-	315,482	315,482
Less: accumulated depreciation	(69,660,433)	(64,903,949)	(13,478,164)	(12,537,837)	(83,138,597)	(77,441,786)
Totals	\$ 140,674,799	\$ 139,011,705	\$ 33,810,021	\$ 32,094,728	\$ 174,484,820	\$ 171,106,433

Debt

At year-end, the County had outstanding debt of \$37,383,307 versus \$27,102,024 last year, an increase of 37.93 percent, as shown in Table A-9.

**Table A-9
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018
General obligation bonds	\$ 5,040,000	\$ 6,640,000	\$ -	\$ -	\$ 5,040,000	\$ 6,640,000
Special assessment bonds	-	-	24,610,000	12,055,000	24,610,000	12,055,000
Premium (discount)	130,210	207,349	704,062	133,048	834,272	340,397
Loans payable	2,175,911	2,113,053	4,723,124	5,953,574	6,899,035	8,066,627
Totals	\$ 7,346,121	\$ 8,960,402	\$ 30,037,186	\$ 18,141,622	\$ 37,383,307	\$ 27,102,024

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

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 Northeast, Willmar, Minnesota 56201.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Kandiyohi County Housing and Redevelopment Authority
Assets				
Current assets				
Cash and investments	\$ 74,048,370	\$ 17,967,934	\$ 92,016,304	\$ 3,748,834
Taxes receivable	428,939	-	428,939	205,278
Special assessments receivable	54,799	18,432	73,231	-
Accounts receivable	199,315	536,057	735,372	-
Accrued interest receivable	199,062	-	199,062	-
Due from other governments	5,658,783	168,461	5,827,244	445,736
Current portion of notes receivable	-	-	-	12,880
Current portion of long-term receivable	18,667	-	18,667	-
Rent receivable	-	-	-	17,694
Inventories	406,930	-	406,930	-
Prepaid items	-	-	-	63,660
Noncurrent assets				
Special assessments receivable	2,895,854	6,605,630	9,501,484	-
Accounts receivable	1,704,678	-	1,704,678	-
Notes receivable	-	-	-	668,499
Long-term receivable	32,665	-	32,665	-
Restricted assets				
Cash and pooled investments	-	-	-	421,006
Capital assets				
Non-depreciable	21,991,166	2,801,247	24,792,413	1,277,793
Depreciable – net of accumulated depreciation	118,683,633	31,008,774	149,692,407	4,103,652
Total Assets	\$ 226,322,861	\$ 59,106,535	\$ 285,429,396	\$ 10,965,032
Deferred Outflows of Resources				
Deferred other postemployment benefits outflows	\$ 87,512	\$ 848	\$ 88,360	\$ -
Deferred pension outflows	4,543,581	37,759	4,581,340	-
Total Deferred Outflows of Resources	\$ 4,631,093	\$ 38,607	\$ 4,669,700	\$ -

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government			Component Unit Kandiyohi County Housing and Redevelopment Authority
	Governmental Activities	Business-Type Activities	Total	
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 1,071,055	\$ 110,266	\$ 1,181,321	\$ 74,577
Salaries payable	1,343,888	25,850	1,369,738	136,194
Accrued payroll and payroll taxes	-	-	-	4,006
Contracts payable	803,765	-	803,765	-
Due to other governments	675,004	7,401	682,405	-
Accrued interest payable	53,536	260,798	314,334	3,049
Unearned revenue	111,424	-	111,424	16,179
Current liabilities payable from restricted assets				
Security deposits	-	-	-	80,967
Long-term liabilities				
Due within one year	2,071,936	6,696,000	8,767,936	60,343
Due in more than one year	17,874,551	23,414,892	41,289,443	2,934,573
Net pension liability	18,515,747	381,197	18,896,944	-
Other postemployment benefits liability	1,138,372	11,034	1,149,406	-
Total Liabilities	\$ 43,659,278	\$ 30,907,438	\$ 74,566,716	\$ 3,309,888
<u>Deferred Inflows of Resources</u>				
Prepaid property taxes	\$ -	\$ -	\$ -	\$ 307,500
Advance from other governments	284,826	-	284,826	-
Deferred other postemployment benefits inflows	29,151	283	29,434	-
Deferred pension inflows	9,194,932	71,924	9,266,856	-
Total Deferred Inflows of Resources	\$ 9,508,909	\$ 72,207	\$ 9,581,116	\$ 307,500
<u>Net Position</u>				
Net investment in capital assets	\$ 135,504,589	\$ 15,896,320	\$ 151,400,909	\$ 2,388,529
Restricted for				
General government	637,236	-	637,236	-
Public safety	1,799,905	-	1,799,905	-
Highways and streets	2,007,423	-	2,007,423	-
Sanitation	10,022,548	-	10,022,548	-
Conservation of natural resources	666,536	-	666,536	-
Debt service	1,866,615	8,053,755	9,920,370	-
Other purpose	-	-	-	334,747
Unrestricted	25,280,915	4,215,422	29,496,337	4,624,368
Total Net Position	\$ 177,785,767	\$ 28,165,497	\$ 205,951,264	\$ 7,347,644

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Expenses	Fees, Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
<u>Functions/Programs</u>			
Primary government			
Governmental activities			
General government	\$ 11,925,007	\$ 2,435,650	\$ 582,481
Public safety	16,956,086	2,774,553	1,505,532
Highways and streets	15,827,453	496,529	7,893,025
Sanitation	3,892,332	4,150,129	202,811
Human services	19,402,143	1,464,384	10,884,412
Health	2,599,482	370,961	1,566,384
Culture and recreation	1,497,288	665,632	68,914
Conservation of natural resources	2,183,693	1,954,031	395,961
Economic development	35,181	-	-
Interest	90,194	-	-
	\$ 74,408,859	\$ 14,311,869	\$ 23,099,520
Business-type activities			
Glacial Lakes Sanitary Sewer and Water	3,364,049	3,555,094	10,000
	\$ 77,772,908	\$ 17,866,963	\$ 23,109,520
Component unit			
Kandiyohi County Housing and Redevelopment Authority	\$ 4,320,950	\$ 1,605,501	\$ 2,707,015

General Revenues

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

Transfers

Total general revenues and transfers

Change in net position

Net Position – Beginning, as previously reported
Prior period adjustment (Note 1.D.15.)

Net Position – Beginning, as restated

Net Position – Ending

Net (Expense) Revenue and Changes in Net Position				Component Unit
Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Kandiyohi County Housing and Redevelopment Authority
\$ -	\$ (8,906,876)	\$ -	\$ (8,906,876)	
-	(12,676,001)	-	(12,676,001)	
3,886,388	(3,551,511)	-	(3,551,511)	
-	460,608	-	460,608	
-	(7,053,347)	-	(7,053,347)	
-	(662,137)	-	(662,137)	
-	(762,742)	-	(762,742)	
-	166,299	-	166,299	
-	(35,181)	-	(35,181)	
-	(90,194)	-	(90,194)	
\$ 3,886,388	\$ (33,111,082)	\$ -	\$ (33,111,082)	
-	-	201,045	201,045	
\$ 3,886,388	\$ (33,111,082)	\$ 201,045	\$ (32,910,037)	
\$ 28,711				\$ 20,277
	\$ 33,527,086	\$ -	\$ 33,527,086	\$ -
	69,966	-	69,966	-
	46,582	-	46,582	-
	3,165,879	-	3,165,879	-
	439,683	-	439,683	-
	392,588	-	392,588	-
	2,571,650	-	2,571,650	-
	2,467,005	47,826	2,514,831	61,770
	1,359,494	-	1,359,494	-
	27,834	-	27,834	-
	250,000	(250,000)	-	1,104,240
	\$ 44,317,767	\$ (202,174)	\$ 44,115,593	\$ 1,166,010
	\$ 11,206,685	\$ (1,129)	\$ 11,205,556	\$ 1,186,287
	\$ 194,745,708	\$ -	\$ 194,745,708	\$ 6,161,357
	(28,166,626)	28,166,626	-	-
	\$ 166,579,082	\$ 28,166,626	\$ 194,745,708	\$ 6,161,357
	\$ 177,785,767	\$ 28,165,497	\$ 205,951,264	\$ 7,347,644

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and investments	\$ 21,887,202	\$ 11,290,121	\$ 8,541,886
Taxes receivable			
Delinquent	228,661	57,415	96,303
Special assessments			
Delinquent	41,567	-	-
Noncurrent	1,642,900	-	-
Accounts receivable	29,802	5,380	274,320
Accrued interest receivable	114,209	4,066	-
Due from other funds	111,921	68,302	608
Due from other governments	580,465	3,185,060	1,796,660
Inventories	-	406,930	-
Advance to other funds	965,000	-	-
Long-term receivable	-	-	-
	\$ 25,601,727	\$ 15,017,274	\$ 10,709,777
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 298,999	\$ 227,564	\$ 390,684
Salaries payable	819,167	107,332	362,418
Contracts payable	-	803,765	-
Due to other funds	59,791	48,944	14,914
Due to other governments	185,644	24,256	375,961
Unearned revenue	111,424	-	-
Advance from other funds	-	-	-
	\$ 1,475,025	\$ 1,211,861	\$ 1,143,977
Deferred Inflows of Resources			
Unavailable revenue	\$ 1,904,750	\$ 3,104,434	\$ 184,073
Advance from other governments	-	284,826	-
	\$ 1,904,750	\$ 3,389,260	\$ 184,073

EXHIBIT 3

<u>Sanitary Landfill/ Recycling Center</u>	<u>Ditch</u>	<u>County Building</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 17,686,581	\$ 308,348	\$ 5,706,122	\$ 1,861,829	\$ 6,766,281	\$ 74,048,370
-	-	6,232	18,140	22,188	428,939
-	13,232	-	-	-	54,799
-	1,252,954	-	-	-	2,895,854
1,593,297	1,008	-	-	186	1,903,993
49,799	-	1,874	-	29,114	199,062
123	34,185	-	-	16,129	231,268
934	92,124	-	-	3,540	5,658,783
-	-	-	-	-	406,930
-	-	-	-	-	965,000
-	-	51,332	-	-	51,332
<u>\$ 19,330,734</u>	<u>\$ 1,701,851</u>	<u>\$ 5,765,560</u>	<u>\$ 1,879,969</u>	<u>\$ 6,837,438</u>	<u>\$ 86,844,330</u>
\$ 68,080	\$ 53,236	\$ 14,951	\$ -	\$ 17,541	\$ 1,071,055
31,281	-	-	-	23,690	1,343,888
-	-	-	-	-	803,765
-	107,532	-	-	87	231,268
18,097	51,718	-	-	19,328	675,004
-	-	-	-	-	111,424
-	840,000	-	-	125,000	965,000
<u>\$ 117,458</u>	<u>\$ 1,052,486</u>	<u>\$ 14,951</u>	<u>\$ -</u>	<u>\$ 185,646</u>	<u>\$ 5,201,404</u>
\$ 1,300,284	\$ 1,386,346	\$ 6,395	\$ 13,354	\$ 45,051	\$ 7,944,687
-	-	-	-	-	284,826
<u>\$ 1,300,284</u>	<u>\$ 1,386,346</u>	<u>\$ 6,395</u>	<u>\$ 13,354</u>	<u>\$ 45,051</u>	<u>\$ 8,229,513</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Road and Bridge	Human Services
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)			
Fund Balances			
Nonspendable			
Inventories	\$ -	\$ 406,930	\$ -
Missing heirs	194,138	-	-
Advances to other funds	965,000	-	-
Restricted for			
Debt service	-	-	-
Recorder's technology and equipment	395,007	-	-
Law enforcement	426,420	-	-
Administering the carrying of weapons	394,962	-	-
Public safety	72,502	-	-
Sanitation	-	-	-
Donations – public safety	16,429	-	-
Enhanced 911	889,592	-	-
Gravel pit restoration	330,554	-	-
Highways and streets	-	16,681	-
SSTS loans	242,229	-	-
Closure/postclosure	-	-	-
Ditch maintenance and repairs	-	-	-
Committed to			
Repairs and maintenance of County buildings	-	-	-
Purchases of capital equipment	-	-	-
Library operations and building maintenance	-	-	-
DARE program	-	-	-
Health and Human Services Building operations and maintenance	-	-	-
Assigned to			
Highways and streets	-	9,992,542	-
Human services	-	-	9,381,727
Unassigned	18,295,119	-	-
Total Fund Balances	\$ 22,221,952	\$ 10,416,153	\$ 9,381,727
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 25,601,727	\$ 15,017,274	\$ 10,709,777

EXHIBIT 3
(Continued)

<u>Sanitary Landfill/ Recycling Center</u>	<u>Ditch</u>	<u>County Building</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 406,930
-	-	-	-	-	194,138
-	-	-	-	-	965,000
-	-	-	1,866,615	-	1,866,615
-	-	-	-	-	395,007
-	-	-	-	-	426,420
-	-	-	-	-	394,962
-	-	-	-	-	72,502
10,022,548	-	-	-	-	10,022,548
-	-	-	-	-	16,429
-	-	-	-	-	889,592
-	-	-	-	-	330,554
-	-	-	-	-	16,681
-	-	-	-	-	242,229
7,890,444	-	-	-	-	7,890,444
-	335,982	-	-	-	335,982
-	-	5,744,214	-	-	5,744,214
-	-	-	-	4,900,402	4,900,402
-	-	-	-	204,744	204,744
-	-	-	-	84,187	84,187
-	-	-	-	1,447,628	1,447,628
-	-	-	-	-	9,992,542
-	-	-	-	-	9,381,727
-	(1,072,963)	-	-	(30,220)	17,191,936
\$ 17,912,992	\$ (736,981)	\$ 5,744,214	\$ 1,866,615	\$ 6,606,741	\$ 73,413,413
\$ 19,330,734	\$ 1,701,851	\$ 5,765,560	\$ 1,879,969	\$ 6,837,438	\$ 86,844,330

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Fund balance – total governmental funds (Exhibit 3)		\$ 73,413,413
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		140,674,799
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in the governmental funds.		87,512
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		4,543,581
Revenue in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		7,944,687
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (5,040,000)	
Unamortized premium on bonds	(130,210)	
Loans payable	(2,175,911)	
Estimated liability for landfill closure/postclosure	(7,890,444)	
Compensated absences	(4,709,922)	
Net pension liability	(18,515,747)	
Other postemployment benefits liability	<u>(1,138,372)</u>	(39,600,606)
Deferred inflows of resources resulting from the other postemployment benefits liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(29,151)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(9,194,932)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		<u>(53,536)</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 177,785,767</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 18,251,551	\$ 8,055,220	\$ 7,594,943
Special assessments	370,993	-	-
Licenses and permits	387,260	-	-
Intergovernmental	6,078,712	10,667,547	11,552,111
Charges for services	4,855,896	471,259	1,349,815
Fines and forfeits	90,534	-	-
Gifts and contributions	32,053	-	-
Investment earnings	1,623,577	75,648	-
Miscellaneous	1,180,290	25,270	114,569
Total Revenues	\$ 32,870,866	\$ 19,294,944	\$ 20,611,438
Expenditures			
Current			
General government	\$ 9,949,370	\$ -	\$ -
Public safety	15,730,276	-	-
Highways and streets	-	18,974,103	-
Sanitation	-	-	-
Human services	-	-	19,279,722
Health	2,565,591	-	-
Culture and recreation	793,792	-	-
Conservation of natural resources	1,403,932	-	-
Economic development	35,181	-	-
Intergovernmental			
Highways and streets	-	469,563	-
Culture and recreation	-	-	-
Debt service			
Principal	313,192	200,000	-
Interest	35,049	37,600	-
Administrative (fiscal) charges	-	423	-
Total Expenditures	\$ 30,826,383	\$ 19,681,689	\$ 19,279,722
Excess of Revenues Over (Under) Expenditures	\$ 2,044,483	\$ (386,745)	\$ 1,331,716

EXHIBIT 5

Sanitary Landfill/ Recycling Center	Ditch	County Building	Debt Service	Capital Projects	Nonmajor Funds	Total
\$ -	\$ -	\$ 464,643	\$ 1,286,115	\$ -	\$ 1,649,938	\$ 37,302,410
-	1,123,195	-	-	-	-	1,494,188
1,490	-	-	-	-	-	388,750
202,811	-	156,002	5,884	-	216,684	28,879,751
3,981,145	-	-	-	-	-	10,658,115
-	-	-	-	-	26,382	116,916
-	-	-	-	-	-	32,053
508,516	-	66,894	-	-	183,042	2,457,677
163,505	-	231,996	-	-	846,552	2,562,182
\$ 4,857,467	\$ 1,123,195	\$ 919,535	\$ 1,291,999	\$ -	\$ 2,922,598	\$ 83,892,042
\$ -	\$ -	\$ 306,586	\$ -	\$ -	\$ 846,667	\$ 11,102,623
-	-	-	-	-	138,906	15,869,182
-	-	-	-	-	486,428	19,460,531
2,987,080	-	-	-	-	-	2,987,080
-	-	-	-	-	-	19,279,722
-	-	-	-	-	-	2,565,591
-	-	85,776	-	-	207,027	1,086,595
-	749,293	26,032	-	-	-	2,179,257
-	-	-	-	-	-	35,181
-	-	-	-	-	-	469,563
-	-	-	-	-	381,700	381,700
255,000	-	-	1,145,000	-	-	1,913,192
18,450	-	-	91,125	-	-	182,224
1,025	-	-	2,025	-	-	3,473
\$ 3,261,555	\$ 749,293	\$ 418,394	\$ 1,238,150	\$ -	\$ 2,060,728	\$ 77,515,914
\$ 1,595,912	\$ 373,902	\$ 501,141	\$ 53,849	\$ -	\$ 861,870	\$ 6,376,128

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ 160,604	\$ -	\$ -
Transfers out	-	-	-
Loans issued	376,050	-	-
Proceeds from sale of capital assets	27,834	-	-
Total Other Financing Sources (Uses)	<u>\$ 564,488</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 2,608,971</u>	<u>\$ (386,745)</u>	<u>\$ 1,331,716</u>
Fund Balance – January 1, as previously reported	\$ 19,612,981	\$ 10,830,378	\$ 8,050,011
Prior period adjustment	-	-	-
Fund Balance – January 1, as restated	<u>\$ 19,612,981</u>	<u>\$ 10,830,378</u>	<u>\$ 8,050,011</u>
Increase (decrease) in inventories	<u>-</u>	<u>(27,480)</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 22,221,952</u></u>	<u><u>\$ 10,416,153</u></u>	<u><u>\$ 9,381,727</u></u>

EXHIBIT 5
(Continued)

Sanitary Landfill/ Recycling Center	Ditch	County Building	Debt Service	Capital Projects	Nonmajor Funds	Total
\$ -	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ 410,604
-	(160,604)	-	-	-	-	(160,604)
-	-	-	-	-	-	376,050
-	-	-	-	-	-	27,834
\$ -	\$ (160,604)	\$ 250,000	\$ -	\$ -	\$ -	\$ 653,884
\$ 1,595,912	\$ 213,298	\$ 751,141	\$ 53,849	\$ -	\$ 861,870	\$ 7,030,012
\$ 16,317,080	\$ (950,279)	\$ 4,993,073	\$ 5,520,410	\$ 375,288	\$ 8,250,586	\$ 72,999,528
-	-	-	(3,707,644)	(375,288)	(2,505,715)	(6,588,647)
\$ 16,317,080	\$ (950,279)	\$ 4,993,073	\$ 1,812,766	\$ -	\$ 5,744,871	\$ 66,410,881
-	-	-	-	-	-	(27,480)
\$ 17,912,992	\$ (736,981)	\$ 5,744,214	\$ 1,866,615	\$ -	\$ 6,606,741	\$ 73,413,413

**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, 2019**

Net change in fund balance – total governmental funds (Exhibit 5) \$ 7,030,012

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

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

Unavailable revenue – December 31	\$ 7,944,687	
Unavailable revenue – January 1, as restated	<u>(6,499,019)</u>	1,445,668

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

Expenditures for general capital assets and infrastructure	\$ 7,494,074	
Net book value of assets sold	(1,065,554)	
Current year depreciation	<u>(4,765,426)</u>	1,663,094

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

Debt issued		
Loans issued		(376,050)
Principal repayments		
General obligation bonds	\$ 1,600,000	
Loans payable	<u>313,192</u>	1,913,192

**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, 2019**

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	\$	18,364	
Current year amortization of premium on bonds issued		77,139	
Change in compensated absences		83,972	
Change in other postemployment benefits liability		(25,805)	
Change in deferred other postemployment benefits outflows		31,802	
Change in deferred other postemployment benefits inflows		(29,151)	
Change in net pension liability		(346,196)	
Change in deferred pension outflows		(3,431,894)	
Change in deferred pension inflows		3,388,154	
Change in inventories		(27,480)	
Change in estimated liability for landfill closure/postclosure		(208,136)	(469,231)
Change in Net Position of Governmental Activities (Exhibit 2)			<u>\$ 11,206,685</u>

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PROPRIETARY FUND

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
GLACIAL LAKES SANITARY SEWER AND WATER ENTERPRISE FUND
DECEMBER 31, 2019**

Assets

Current assets

Cash and pooled investments	\$ 17,967,934
Special assessments receivable	18,432
Accounts receivable	536,057
Due from other governments	168,461
	<hr/>

Total current assets **\$ 18,690,884**

Noncurrent assets

Special assessments receivable	<u>\$ 6,605,630</u>
--------------------------------	----------------------------

Capital assets

Non-depreciable	\$ 2,801,247
Depreciable – net	31,008,774
	<hr/>

Total capital assets **\$ 33,810,021**

Total Assets **\$ 59,106,535**

Deferred Outflows of Resources

Deferred other postemployment benefits outflows	\$ 848
Deferred pension outflows	37,759
	<hr/>

Total Deferred Outflows of Resources **\$ 38,607**

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF NET POSITION
GLACIAL LAKES SANITARY SEWER AND WATER ENTERPRISE FUND
DECEMBER 31, 2019**

Liabilities

Current liabilities

Accounts payable	\$	110,266
Salaries payable		25,850
Due to other governments		7,401
Accrued interest payable		260,798
		260,798

Total current liabilities **\$ 404,315**

Long-term liabilities

Due within one year	\$	6,696,000
Due in more than one year		23,414,892
Net pension liability		381,197
Other postemployment benefits liability		11,034
		11,034

Total noncurrent liabilities **\$ 30,503,123**

Total Liabilities **\$ 30,907,438**

Deferred Inflows of Resources

Deferred other postemployment benefits inflows	\$	283
Deferred pension inflows		71,924
		71,924

Total Deferred Inflows of Resources **\$ 72,207**

Net Position

Net investment in capital assets	\$	15,896,320
Restricted for debt service		8,053,755
Unrestricted		4,215,422
		4,215,422

Total Net Position **\$ 28,165,497**

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
GLACIAL LAKES SANITARY SEWER AND WATER ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

Operating Revenues	
Charges for services	\$ 2,593,909
Miscellaneous	434,094
	\$ 3,028,003
Operating Expenses	
Personal services	\$ 488,185
Employee benefits	177,049
Telephone	10,247
Licenses and dues	12,155
Utilities	201,776
Professional services	31,186
Insurance	22,590
Staff training	3,385
Repairs and maintenance	360,718
Waste management	1,622
Vehicle expense	30,161
Administration and fiscal services	64,576
Engineering services	70,604
Other services and charges	55,293
Supplies	73,269
Depreciation	955,454
	\$ 2,558,270
Operating Income (Loss)	\$ 469,733
Nonoperating Revenues (Expenses)	
Special assessments	\$ 490,426
Intergovernmental	10,000
Rental income	13,834
Resale	11,246
Investment earnings	47,826
Interest expense	(528,432)
Bond issuance costs	(269,644)
Administrative (fiscal) charges	(4,672)
Amortization of premium	11,585
Amortization of discount	(3,031)
	\$ (220,862)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 8
(Continued)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
GLACIAL LAKES SANITARY SEWER AND WATER ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

Income (Loss) Before Transfers	\$ 248,871
Transfers out	<u>(250,000)</u>
Change in net position	<u>\$ (1,129)</u>
Net Position – January 1, as previously reported	\$ -
Prior period adjustment	<u>28,166,626</u>
Net Position – January 1, as restated	<u>\$ 28,166,626</u>
Net Position – December 31	<u><u>\$ 28,165,497</u></u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
GLACIAL LAKES SANITARY SEWER AND WATER ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash Flows from Operating Activities	
Receipts from customers	\$ 3,014,352
Payments to suppliers	(946,261)
Payments to employees	(646,843)
	<hr/>
Net cash provided by (used in) operating activities	\$ 1,421,248
Cash Flows from Non-Capital Financing Activities	
Rental income	\$ 13,834
Resale	11,246
Transfers to other funds	(250,000)
Intergovernmental receipts	10,000
	<hr/>
Net cash provided by (used in) non-capital financing activities	\$ (214,920)
Cash Flows from Capital and Related Financing Activities	
Special assessment bonds issued	\$ 9,690,000
Refunding bonds issued	4,285,000
Premium on bonds issued	579,568
Special assessments	1,691,282
Principal payments on special assessment bonds	(1,420,000)
Principal payments on loans	(1,230,450)
Interest paid on long-term debt	(434,899)
Bond issuance costs	(269,644)
Administrative (fiscal) charges	(4,672)
Payments for construction of capital assets	(2,670,747)
	<hr/>
Net cash provided by (used in) capital and related financing activities	\$ 10,215,438
Cash Flows from Investing Activities	
Investment earnings received	\$ 47,826
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 11,469,592
Cash and Cash Equivalents, January 1, as restated	6,498,342
	<hr/>
Cash and Cash Equivalents, December 31	\$ 17,967,934
	<hr/> <hr/>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
GLACIAL LAKES SANITARY SEWER AND WATER ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 469,733
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 955,454
(Increase) decrease in accounts receivable	(3,018)
(Increase) decrease in due from other governments	(6,714)
(Increase) decrease in deferred outflows – other postemployment benefits	(308)
(Increase) decrease in deferred outflows – pensions	84,802
Increase (decrease) in accounts payable	(8,679)
Increase (decrease) in salaries payable	3,639
Increase (decrease) in due to other funds	(1,692)
Increase (decrease) in due to other governments	(1,759)
Increase (decrease) in compensated absences	2,435
Increase (decrease) in net pension liability	6,224
Increase (decrease) in other postemployment benefits liability	247
Increase (decrease) in deferred inflows – other postemployment benefits	283
Increase (decrease) in deferred inflows – pensions	(79,399)
Total adjustments	\$ 951,515
Net Cash Provided by (Used in) Operating Activities	\$ 1,421,248

FIDUCIARY FUND

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2019**

	<u>Agency Fund</u>
<u>Assets</u>	
Cash and pooled investments	\$ <u><u>1,318,193</u></u>
<u>Liabilities</u>	
Due to other governments	\$ <u><u>1,318,193</u></u>

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2019. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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. Kandiyohi County services related debt.	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 Street Northeast Suite 2090 Willmar, Minnesota 56201

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 4.D. The County also participates in a jointly-governed organization described in Note 4.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 position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities, business-type activities, and discretely presented component unit 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, proprietary, and fiduciary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the 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 County not accounted for and reported in another fund.

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

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

The Sanitary Landfill/Recycling Center Special Revenue Fund accounts for the County's landfill operations and for funds used in 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 Ditch Special Revenue Fund accounts for funds used by the various ditches. Financing is provided by special assessments.

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The County reports the following major enterprise fund:

The Glacial Lakes Sanitary Sewer and Water Enterprise Fund is used to account for the recovery of all or a significant portion of its costs of operating the water treatment and wastewater facilities through user fees and charges.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specific purposes.

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full 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.

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 taxes are recognized as revenues in the year for which they are levied provided they are also available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2019. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. 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 2019 were \$1,623,577.

Kandiyohi County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Cash and Cash Equivalents

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary fund. The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

3. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

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

No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

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

Special assessments receivable consist of delinquent special assessments payable in the years 2004 through 2019 and noncurrent special assessments payable in 2020 and after.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value (entry price) on the date of donation.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The purchase of computer software and most communications equipment are not capitalized due to their estimated lives of less than five years. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

7. Unearned Revenue

Governmental funds, proprietary funds, and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. At December 31, 2019, all unearned revenue was the result of receiving grants prior to the revenue recognition criteria being met.

8. Compensated Absences

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Compensated Absences (Continued)

employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The current portion is based on the average of the three most recent years of termination payments. For the governmental activities, compensated absences are liquidated by the General Fund, Road and Bridge and Human Services Special Revenue Funds, and the other governmental funds with personal services. For the business-type activities, compensated absences are liquidated by the Glacial Lakes Sanitary Sewer and Water Enterprise Fund.

9. Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year the debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. 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.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Deferred Outflows/Inflows of Resources (Continued)

only under the full accrual basis of accounting associated with defined benefit pension plans and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, grant receivables, charges for services, and other long-term receivables. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The County reports deferred inflows of resources associated with advances from other governments for state aid received by the County, not yet appropriated by the State of Minnesota. The County also reports deferred inflows of resources associated with defined benefit pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

11. Pension Plan

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Pension Plan (Continued)

Fund, Road and Bridge and Human Services Special Revenue Funds, and other governmental funds with personal services expenditures. For the business-type activities, the net pension liability is liquidated by the Glacial Lakes Sanitary Sewer and Water Enterprise Fund.

12. Classification of Net Position

Net position in the government-wide and proprietary fund financial statements is classified in the following categories:

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

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

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

13. Classification of Fund Balances

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Classification of Fund Balances (Continued)

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

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

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

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Classification of Fund Balances (Continued)

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

14. 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 certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; 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.

15. Prior Period Adjustment – Restructuring of Funds

During the year ended December 31, 2019, Kandiyohi County re-evaluated the existing Glacial Lake Sewer activities and determined reporting the activities as an enterprise fund would be beneficial for financial statement users and allowed under generally accepted accounting principles. The Glacial Lakes Sanitary Sewer and Water Enterprise Fund was established in 2019 through a reclassification of existing activities from the Glacial Lake Sewer Special Revenue Fund, a portion of the Debt Service Fund, and the Capital Projects Fund. Capital assets, unavailable revenue recognized on a full accrual basis, general long-term debt, and deferred outflows and inflows of resources with related net pension liability and OPEB liability previously reported as governmental activities, were contributed to the Glacial Lakes Sanitary Sewer and Water Enterprise Fund and reported as business-type activities.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

15. Prior Period Adjustment – Restructuring of Funds (Continued)

The following balances as of January 1, 2019, were adjusted to reflect this change.

	Glacial Lake Sewer Special Revenue Fund Nonmajor Fund Balance	Debt Service Fund Fund Balance	Capital Projects Fund Fund Balance	Glacial Lakes Sanitary Sewer and Water Enterprise Fund Net Position
Balances – December 31, 2018, as previously reported	\$ 2,505,715	\$ 5,520,410	\$ 375,288	\$ -
Reclassification of Glacial Lake Sewer operation activities	(2,505,715)	-	-	2,505,715
Reclassification of Glacial Lake Sewer debt service activities	-	(3,707,644)	-	3,707,644
Reclassification of Glacial Lake Sewer capital activities	-	-	(375,288)	375,288
Balances – January 1, 2019, as Restated	<u>\$ -</u>	<u>\$ 1,812,766</u>	<u>\$ -</u>	<u>\$ 6,588,647</u>

Contribution of general capital assets and general long-term debt to the Glacial Lakes Sanitary Sewer and Water Enterprise Fund in 2019:

Capital assets as of January 1, 2019	32,094,728
Unavailable revenue recognized on a full accrual basis	8,277,391
Long-term debt as of January 1, 2019	(18,380,158)
Deferred outflows and inflows of resources with related net pension liability other postemployment benefits liability	<u>(413,982)</u>
Decrease in governmental activities and increase in business-type activities as restated on Exhibit 2	<u>\$ 28,166,626</u>

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

At December 31, 2019, the Ditch Special Revenue Fund had a deficit fund balance of \$736,981. The deficit will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

60 ditches with positive balances	\$ 335,982
39 ditches with deficit balances	<u>(1,072,963)</u>
Net Fund Balance	<u>\$ (736,981)</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity (Continued)

At December 31, 2019, the Regional Treatment Center Special Revenue Fund had a deficit fund balance of \$30,220.

B. Tax Abatements

The County entered into property tax abatement agreements with various developers under Minn. Stat. §§ 469.1812 through 469.1815, as amended. Under the statute, a political subdivision may grant a current or prospective abatement of property taxes if it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement and it will provide benefits such as increasing or preserving the tax base or providing employment in the County. The County does not have a minimum threshold for reporting tax abatements.

MinnWest Technology Campus Management Company

The County entered into a property tax abatement agreement with MinnWest Technology Campus Management Company on February 2, 2016, for a period of ten years effective in the years 2016 through 2025. The abatement will equal a 100 percent share of ad valorem property taxes received by the County from the tax abatement property. Contractual stipulations require County payments to not exceed a total amount of \$686,600. The County provided a tax abatement in the form of a tax refund in the amount of \$87,048 for 2019. The developer agrees to renovate, expand, and further develop the MinnWest Technology Campus by making infrastructure and capital investments and expanding the campus. Further, the developer agrees to create a minimum of 175 full-time equivalent jobs and to spend \$8 million on capital projects and improvements by December 31, 2025.

William P. & Deborah D. Donner and Oil Air Products, LLC

The County entered into a property tax abatement agreement with William P. & Deborah D. Donner and Oil Air Products, LLC, on November 11, 2015, for a period of eight years effective in the years 2015 through 2022. The abatement will equal a 100 percent share of ad valorem property taxes received by the County from the tax abatement property during 2015 through 2017, 75 percent during 2018 through 2020, and 50 percent during 2021 and 2022. Contractual stipulations require County payments not

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

2. Stewardship, Compliance, and Accountability

B. Tax Abatements

William P. & Deborah D. Donner and Oil Air Products, LLC (Continued)

to exceed a total amount of \$82,292. The County will provide a tax abatement in the form of a tax refund. The abatement amount for 2019 was \$4,776. The developer agrees to relocate its existing manufacturing business in order to facilitate the expansion of the business in the County and expand the workforce to 12 – 15 full-time employees.

Torgerson Properties, Inc.

The County entered into a property tax abatement agreement with Torgerson Properties, Inc., on May 7, 2013, for a period of ten years effective in 2016 through 2025. The abatement will equal the lesser of \$39,000 annually, or 100 percent of the increased portion of the County's share of ad valorem property taxes on the property derived from the value of the project during 2016 through 2020; the lesser of \$29,775 annually, or 75 percent of the County's share of ad valorem property taxes during 2021 through 2023; and the lesser of \$19,850 annually, or 50 percent of the County's share of ad valorem property taxes during 2024 and 2025. Contractual stipulations require the County's payments do not exceed a total amount of \$327,525. The County provided a tax abatement in the form of a tax refund in the amount of \$39,000 for 2019. The developer agrees to construct additions to the lodging facilities existing on real property located in the City of Willmar. The developer further agrees to renovate and expand the existing hotel, restaurant, and convention facilities with corresponding interior and exterior improvements to bring the buildings up to code. Further, the developer agreed to create a minimum of 25 full-time equivalent jobs by January 1, 2016, and to pay a wage that, with benefits, exceeds \$12 per hour.

Rockstep Willmar, LLC – Kandi Mall Rehab Project

The County entered into a property tax abatement agreement with Rockstep Willmar, LLC, on September 6, 2016, for a period of ten years effective in 2017 through 2026. The abatement will equal 100 percent of the County's share of the increase in ad valorem property taxes generated by the property during 2017 through 2024 and 80 percent of the County's share of ad valorem property taxes in 2025 and 2026. Contractual stipulations require the County payments do not exceed ten percent of the current net tax capacity, or \$200,000 per year, and the total abatement will not exceed \$604,901. The County will provide a tax abatement in the form of a tax refund; however, it did not make a payment

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

2. Stewardship, Compliance, and Accountability

B. Tax Abatements

Rockstep Willmar, LLC – Kandi Mall Rehab Project (Continued)

during 2019. The developer agrees to renovate the existing structure and construct a new facility with an estimated market value of \$6,722,000. Further, the developer agrees that within two years after completion of the new and redeveloped facility’s occupation for business, at least 60 new jobs will be created at a minimum of \$12 per hour.

Little Crow Golf Association, LLC, and Glacial Ridge Hospitality, LLC

The County entered into a property tax abatement agreement with Little Crow Golf Association, LLC, and Glacial Ridge Hospitality, LLC, on October 4, 2016, for a period of ten years effective in 2020 through 2029. The abatement will equal 100 percent of the County’s share of the increased ad valorem property taxes during 2020 through 2027 and 80 percent of the County’s share of the property taxes during 2028 and 2029. The increase in property taxes will be over the 2016 base tax capacity of \$4,893. Contractual stipulations require the County payments do not exceed ten percent of the net tax capacity or \$200,000, whichever is greater, and the total abatement does not exceed \$720,780. The County will provide a tax abatement in the form of a tax refund; however, it did not make a payment during 2019. The developer agrees to demolish the existing structure and construct a new facility with an estimated completed market value of \$6,850,000. The County expects the new facility will help retain and expand commercial and industrial enterprise in the County and provide employment opportunities in the County.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and investments	\$ 74,048,370
Business-type activities	
Cash and investments	17,967,934
Statement of fiduciary net position	
Cash and pooled investments	<u>1,318,193</u>
Total Cash and Investments	<u>\$ 93,334,497</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk other than complying with the requirements of Minnesota statutes. As of December 31, 2019, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

The following table presents the County's investment balances at December 31, 2019, and information relating to interest rate risk:

	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>More Than 5 Years</u>	<u>Total Fair Value</u>
U.S. government securities/bonds				
Federal Home Loan Bank	\$ -	\$ 199,524	\$ 1,194,737	\$ 1,394,261
Federal Home Loan Mortgage Corporation	-	199,342	-	199,342
Federal Farm Credit Bank	-	7,084,092	4,271,659	11,355,751
Tennessee Valley Authority	561,559	-	-	561,559
Total U.S. government securities/bonds	\$ 561,559	\$ 7,482,958	\$ 5,466,396	\$ 13,510,913
State and local government taxable revenue bonds	2,739,306	7,869,189	1,734,803	12,343,298
Collateralized mortgage obligations	-	-	944,262	944,262
Investment pools – MAGIC Fund	41,891,212	-	-	41,891,212
Negotiable certificates of deposit	572,745	5,084,026	246,108	5,902,879
Total Investments	<u>\$ 45,764,822</u>	<u>\$ 20,436,173</u>	<u>\$ 8,391,569</u>	<u>\$ 74,592,564</u>

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 and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

The following table presents the County's deposit and investment balances at December 31, 2019, related to credit risk:

	Credit Risk	Total Fair Value
U.S. government securities/bonds		
Federal Home Loan Bank	Aaa	\$ 1,394,261
Federal Home Loan Mortgage Corporation	Aaa	199,342
Federal Farm Credit Bank	Aaa	11,355,751
Tennessee Valley Authority	Aaa	561,559
Total U.S. government securities/bonds		\$ 13,510,913
State and local government taxable revenue bonds		
	A	\$ 247,038
	A1	1,308,468
	A2	200,962
	AA-	725,945
	Aa+	210,029
	Aa1	2,233,509
	Aa2	2,492,461
	Aa3	2,136,431
	AAA	608,232
	Aaa	1,867,737
	N/R	312,486
Total state and local government taxable revenue bonds		\$ 12,343,298
Collateralized mortgage obligations	N/R	\$ 944,262
Investment pools – MAGIC Fund	N/R	\$ 41,891,212
Negotiable certificates of deposit	N/R	\$ 5,902,879
Total Investments		\$ 74,592,564

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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. At December 31, 2019, the County's investments were not exposed to 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. At December 31, 2019, the County did not have any investments in any one issuer that represents five percent or more of the County's investments.

Fair Value Measurement

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Fair Value Measurement (Continued)

At December 31, 2019, the County had the following recurring fair value measurements:

	December 31, 2019	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. government agencies	\$ 13,510,913	\$ 12,550,487	\$ 960,426	\$ -
Taxable municipal bonds	12,343,298	-	12,343,298	-
Collateralized mortgage obligation	944,262	-	944,262	-
Negotiable certificates of deposit	5,902,879	-	5,902,879	-
 Total Investments Included in the Fair Value Hierarchy	 \$ 32,701,352	 \$ 12,550,487	 \$ 20,150,865	 \$ -
 Investments measured at the net asset value (NAV)				
MAGIC Portfolio	29,891,212			
MAGIC Term	12,000,000			
 Total Investments	 \$ 74,592,564			

Debt securities classified in Level 1 are valued using a market approach quoted in active markets for those securities. Debt securities classified in Level 2 are valued using the following approaches:

- U.S. Government Agencies: a market approach by utilizing quoted prices for identical securities in markets that are not active;

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Fair Value Measurement (Continued)

- Taxable Municipal Bonds: a market approach using quoted prices for similar securities in active markets; and
- Collateralized Mortgage Obligation and Negotiable Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted at NAV. The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member. The MAGIC Fund currently consists of the MAGIC Portfolio and the MAGIC Term Series.

The MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical.

Shares of the MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2019, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 428,939	\$ -
Special assessments	2,950,653	2,895,854
Accounts	1,903,993	1,704,678
Accrued interest	199,062	-
Due from other governments	5,658,783	-
Long-term	51,332	32,665
Total Governmental Activities	\$ 11,192,762	\$ 4,633,197
Business-Type Activities		
Special assessments	\$ 6,624,062	\$ 6,605,630
Accounts	536,057	-
Due from other governments	168,461	-
Total Business-Type Activities	\$ 7,328,580	\$ 6,605,630

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 and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

Governmental Activities

	Beginning Balance, as restated	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 6,827,936	\$ 284,253	\$ -	\$ 7,112,189
Construction in progress	8,891,531	6,041,690	54,244	14,878,977
Total capital assets not depreciated	<u>\$ 15,719,467</u>	<u>\$ 6,325,943</u>	<u>\$ 54,244</u>	<u>\$ 21,991,166</u>
Capital assets depreciated				
Landfill	\$ 10,929,750	\$ 138,162	\$ -	\$ 11,067,912
Buildings	45,477,799	210,442	-	45,688,241
Machinery, vehicles, furniture, and equipment	20,713,007	819,527	1,074,496	20,458,038
Infrastructure	110,760,149	54,244	-	110,814,393
Software	315,482	-	-	315,482
Total capital assets depreciated	<u>\$ 188,196,187</u>	<u>\$ 1,222,375</u>	<u>\$ 1,074,496</u>	<u>\$ 188,344,066</u>
Less: accumulated depreciation for				
Landfill	\$ 2,317,686	\$ 267,333	\$ -	\$ 2,585,019
Buildings	18,011,762	962,517	-	18,974,279
Machinery, vehicles, furniture, and equipment	13,703,662	1,344,144	8,942	15,038,864
Infrastructure	30,555,357	2,191,432	-	32,746,789
Software	315,482	-	-	315,482
Total accumulated depreciation	<u>\$ 64,903,949</u>	<u>\$ 4,765,426</u>	<u>\$ 8,942</u>	<u>\$ 69,660,433</u>
Total capital assets depreciated, Net	<u>\$ 123,292,238</u>	<u>\$ (3,543,051)</u>	<u>\$ 1,065,554</u>	<u>\$ 118,683,633</u>
Governmental Activities Capital Assets, Net	<u>\$ 139,011,705</u>	<u>\$ 2,782,892</u>	<u>\$ 1,119,798</u>	<u>\$ 140,674,799</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance, as restated	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 130,500	\$ -	\$ -	\$ 130,500
Construction in progress	-	2,670,747	-	2,670,747
 Total capital assets not depreciated	 \$ 130,500	 \$ 2,670,747	 \$ -	 \$ 2,801,247
Capital assets depreciated				
Buildings	\$ 782,139	\$ -	\$ -	\$ 782,139
Machinery, vehicles, furniture, and equipment	387,732	-	15,127	372,605
Infrastructure	43,332,194	-	-	43,332,194
 Total capital assets depreciated	 \$ 44,502,065	 \$ -	 \$ 15,127	 \$ 44,486,938
Less: accumulated depreciation for				
Buildings	\$ 250,288	\$ 15,643	\$ -	\$ 265,931
Machinery, vehicles, furniture, and equipment	341,886	10,318	15,127	372,077
Infrastructure	11,945,663	929,493	-	12,875,156
 Total accumulated depreciation	 \$ 12,537,837	 \$ 955,454	 \$ 15,127	 \$ 13,478,164
 Total capital assets depreciated, net	 \$ 31,964,228	 \$ (955,454)	 \$ -	 \$ 31,008,774
 Business-Type Activities Capital Assets, Net	 \$ 32,094,728	 \$ 1,715,293	 \$ -	 \$ 33,810,021

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	588,019
Public safety		858,911
Highways and streets, including depreciation of infrastructure assets		2,622,500
Sanitation		454,525
Human services		25,033
Culture and recreation		36,110
Conservation of natural resources		180,328
		180,328
Total Depreciation Expense – Governmental Activities	\$	4,765,426
Business-Type Activities		
Glacial Lakes Sanitary Sewer and Water	\$	955,454

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2019, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General	Human Services Special Revenue	\$ 13,876	Charges for services rendered and supplies provided
	Ditch Special Revenue	98,045	
Total due to General Fund		\$ 111,921	Charges for services rendered and supplies provided
Road and Bridge Special Revenue	General	\$ 58,815	Charges for services rendered
	Ditch Special Revenue	9,487	
Total due to Road and Bridge Special Revenue Fund		\$ 68,302	Charges for services rendered
Human Services Special Revenue	General	\$ 608	Charges for services rendered

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
Sanitary Landfill/Recycling Center Special Revenue Fund	General Nonmajor governmental funds	\$ 36 87	Charges for services rendered Charges for services rendered
Total due to Sanitary Landfill/ Recycling Center Special Revenue Fund		<u>\$ 123</u>	
Ditch	Road and Bridge Special Revenue	<u>\$ 34,185</u>	Charges for services rendered
Nonmajor governmental funds	General Road and Bridge Special Revenue Human Services Special Revenue	\$ 332 14,759 1,038	Charges for services rendered Charges for services rendered Charges for services rendered
Total due to nonmajor governmental funds		<u>\$ 16,129</u>	
Total Due To/From Other Funds		<u><u>\$ 231,268</u></u>	

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

2. Advance To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General	Ditch Special Revenue Nonmajor governmental funds	\$ 840,000 125,000	Eliminate negative cash balance Eliminate negative cash balance
Total Advance To/From Other Funds		<u>\$ 965,000</u>	

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following:

Transfer to General Fund from Ditch Fund	\$ 160,604	Drainage expenditure allocation
Transfer to County Building Fund from Glacial Lakes Sanitary Sewer and Water Enterprise Fund	<u>250,000</u>	Glacial Lakes Sanitary Sewer and Water bond advance
Total Interfund Transfers	<u><u>\$ 410,604</u></u>	

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Construction and Other Commitments

The County has active construction projects as of December 31, 2019. The remaining commitments for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2019.

2. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consist of taxes, special assessments, charges for services, and state and federal grants not collected soon enough after year-end to pay liabilities of the current period.

Unavailable revenue at December 31, 2019, is summarized below by fund:

	<u>Taxes</u>	<u>Charges for Services</u>	<u>Special Assessments</u>	<u>Grants and Highway Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds						
General	\$ 162,257	\$ -	\$ 1,679,219	\$ -	\$ 63,274	\$ 1,904,750
Special Revenue						
Road and Bridge	41,167	-	-	3,059,673	3,594	3,104,434
Human Services	68,351	-	-	-	115,722	184,073
Sanitary Landfill/ Recycling Center	-	1,257,940	-	-	42,344	1,300,284
Ditch	-	-	1,386,346	-	-	1,386,346
County Building	4,521	-	-	-	1,874	6,395
Debt Service	13,354	-	-	-	-	13,354
Nonmajor funds	15,937	-	-	-	29,114	45,051
Total	<u>\$ 305,587</u>	<u>\$ 1,257,940</u>	<u>\$ 3,065,565</u>	<u>\$ 3,059,673</u>	<u>\$ 255,922</u>	<u>\$ 7,944,687</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Long-Term Debt

Governmental Activities – Bonds and Loans Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
General obligation bonds					
2014A G.O. Law Enforcement Facility Refunding Bonds	2021	\$425,000 - \$1,285,000	2.00 - 3.00	\$ 7,295,000	\$ 2,465,000
2014B G.O. Solid Waste Bonds	2022	\$240,000 - \$270,000	2.00	1,785,000	795,000
2016A G.O. State Aid Road Refunding Bonds	2027	\$185,000 - \$240,000	2.00	2,165,000	1,780,000
Total General Obligation Bonds				<u>\$ 11,245,000</u>	<u>\$ 5,040,000</u>
Loans payable					
Hawk Creek Watershed Continuation Clean Water Partnership Project	2020	\$26,804	2.00	\$ 483,701	\$ 26,539
Crow River Basin Clean Water Partnership Project	2021	\$23,752	2.00	370,772	61,107
Shakopee Creek Headwaters Continuation Clean Water Partnership Project	2021	\$14,408	2.00	166,331	35,966
Hawk Creek Watershed Continuation Clean Water Partnership Project	2023	\$26,799	2.00	407,235	172,676
Crow River Watershed – Reducing Surface Water Runoff Project	2024	\$16,678	2.00	300,971	142,868
Chippewa River Accelerated Restoration Clean Water Partnership Project	2025	\$11,526	2.00	168,862	105,320
Hawk Creek Watershed Nitrogen Reduction Clean Water Partnership Project	2026	\$20,517	2.00	370,239	266,795
Chippewa River Accelerated Restoration Clean Water Partnership Project	2026	\$17,227	2.00	310,868	224,013
Chippewa River Watershed Protection Project Clean Water Partnership Project	2028	\$11,526	2.00	208,000	132,623
Hawk Creek Watershed Upgrade Implement Clean Water Partnership Project	2029	\$23,053	2.00	416,000	195,618
Crow River SSTS Restoration Project Clean Water Partnership Project	2029	\$20,171	2.00	364,000	153,789

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Long-Term Debt

Governmental Activities – Bonds and Loans Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
Loans payable (Continued)					
Kandiyohi County SSTS Upgrades Clean Water Partnership Project*	2029	\$50,000	0.00	1,000,000	658,597
Total Loans Payable				<u>\$ 4,566,979</u>	<u>\$ 2,175,911</u>

*The outstanding balance for this loan represents the amount received from the Minnesota Pollution Control Agency as of December 31, 2019. The County has not finished drawing down funds on this loan; therefore, a final debt payment schedule is not available. The payment schedule in Note 3.C.4. does not include the debt service requirements on this loan.

Business-Type Activities – Bonds and Loans Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
Special assessment bonds with government commitment					
2010A G.O. Sewer Revenue Bonds	2032	\$225,000 - \$435,000	3.00 - 4.00	\$ 6,245,000	\$ 4,535,000
2010B G.O. Sewer and Water Revenue Refunding Bonds	2022	\$380,000 - \$480,000	1.10 - 3.45	4,220,000	1,395,000
2012A G.O. Sewer and Water Revenue Refunding Bonds	2023	\$75,000 - \$305,000	1.275	3,085,000	615,000
2016A G.O. Sewer and Water Revenue Refunding Bonds	2030	\$315,000 - \$395,000	2.00	4,745,000	4,090,000
2019A G.O. Sewer and Water Revenue Bonds	2040	\$380,000 - \$615,000	2.00 - 4.00	9,690,000	9,690,000
2019B G.O. Sewer and Water Revenue Refunding Bonds	2032	\$305,000 - \$400,000	2.00	4,285,000	4,285,000
Total Special Assessment Bonds with Government Commitment				<u>\$ 32,270,000</u>	<u>\$ 24,610,000</u>
Loans payable					
2000 Public Facilities Authority Clean Water G.O. Revenue Note	2020	\$6,397 - \$455,000	2.25	\$ 7,188,360	\$ 455,000
2001 Public Facilities Authority Clean Water G.O. Revenue Note	2021	\$3,344 - \$228,000	2.25	3,648,450	451,000

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Long-Term Debt

Business-Type Activities – Bonds and Loans Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
Loans payable (Continued)					
2002 Public Facilities Authority Clean Water G.O. Revenue Note	2021	\$567 - \$40,000	2.14	651,000	79,000
2006A Public Facilities Authority Clean Water G.O. Revenue Note	2026	\$178,876 - \$216,000	1.00	3,761,876	1,470,000
2001 Public Facilities Authority Drinking Water G.O. Revenue Note	2020	\$1,409 - \$70,000	3.54	1,012,260	70,000
2006B Public Facilities Authority Wastewater Infrastructure G.O. Revenue Note	2032	\$9,124 - \$109,000	0.00	1,208,124	1,208,124
City of New London USDA Rural Development	2029	\$85,000 - \$125,000	2.00 - 3.10	1,735,000	990,000
Total Loans Payable				<u>\$ 19,205,070</u>	<u>\$ 4,723,124</u>

4. Debt Service Requirements

Governmental Activities – Bonds and Loans Payable

Debt service requirements at December 31, 2019, were as follows:

Year Ending December 31	General Obligation Bonds		Loans	
	Principal	Interest	Principal	Interest
2020	\$ 1,645,000	\$ 103,100	\$ 292,680	\$ 28,757
2021	1,760,000	56,725	250,713	23,141
2022	485,000	27,850	216,240	18,403
2023	220,000	20,800	220,586	14,056
2024	225,000	16,350	162,982	9,848
2025 - 2029	<u>705,000</u>	<u>21,350</u>	<u>374,113</u>	<u>12,396</u>
Total	<u>\$ 5,040,000</u>	<u>\$ 246,175</u>	<u>\$ 1,517,314</u>	<u>\$ 106,601</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Debt Service Requirements (Continued)

Business-Type Activities – Bonds and Loans Payable

Debt service requirements at December 31, 2019, were as follows:

Year Ending December 31	Special Assessment Bonds		Loans	
	Principal	Interest	Principal	Interest
2020	\$ 5,705,000	\$ 518,563	\$ 991,000	\$ 66,864
2021	1,580,000	451,318	574,000	44,171
2022	1,645,000	404,855	308,000	33,835
2023	1,180,000	365,225	315,000	29,318
2024	1,120,000	334,069	317,000	24,593
2025 - 2029	5,920,000	1,193,943	1,664,000	50,884
2030 - 2034	4,035,000	543,843	554,124	-
2035 - 2039	2,810,000	229,609	-	-
2040	615,000	6,919	-	-
Total	\$ 24,610,000	\$ 4,048,344	\$ 4,723,124	\$ 249,665

5. Changes in Long-Term Liabilities

Governmental Activities – Bonds and Loans Payable

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance, as Restated	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 6,640,000	\$ -	\$ 1,600,000	\$ 5,040,000	\$ 1,645,000
Add: premium on bonds	207,349	-	77,139	130,210	-
Total bonds payable	\$ 6,847,349	\$ -	\$ 1,677,139	\$ 5,170,210	\$ 1,645,000
Loans payable	2,113,053	376,050	313,192	2,175,911	292,680
Estimated liability for landfill closure/postclosure	7,682,308	208,136	-	7,890,444	-
Compensated absences	4,793,894	495,661	579,633	4,709,922	134,256
Governmental Activities Long-Term Liabilities	\$ 21,436,604	\$ 1,079,847	\$ 2,569,964	\$ 19,946,487	\$ 2,071,936

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Changes in Long-Term Liabilities

Governmental Activities – Bonds and Loans Payable (Continued)

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

General	\$	313,192
Road and Bridge Special Revenue		200,000
Sanitary Landfill/Recycling Center		255,000
Debt Service		1,145,000
		1,145,000
Total Debt Reductions	\$	1,913,192

Business-Type Activities – Bonds and Loans Payable

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance, as Restated	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Special assessment bonds with government commitment	\$ 12,055,000	\$ 13,975,000	\$ 1,420,000	\$ 24,610,000	\$ 5,705,000
Add: premium on bonds	142,473	579,568	11,585	710,456	-
Less: discount on bonds	(9,425)	-	(3,031)	(6,394)	-
	12,188,048	14,554,568	1,428,554	25,314,062	5,705,000
Total bonds payable	\$ 12,188,048	\$ 14,554,568	\$ 1,428,554	\$ 25,314,062	\$ 5,705,000
Loans payable	5,953,574	-	1,230,450	4,723,124	991,000
Compensated absences	71,271	4,568	2,133	73,706	-
	5,953,574	4,568	1,230,450	4,723,124	991,000
Business-Type Activities Long-Term Liabilities	\$ 18,212,893	\$ 14,559,136	\$ 2,661,137	\$ 30,110,892	\$ 6,696,000

Long-term debt was liquidated by payments from the Glacial Lakes Sanitary Sewer and Water Enterprise Fund.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Current Refunding

On November 26, 2019, the County issued \$4,285,000 G.O. Sewer Revenue Refunding Bonds, Series 2019B, with an average interest rate of 2.00 percent to redeem on February 1, 2020, the years 2021 through 2032 maturities totaling \$4,260,000 of the outstanding 2010A G.O. Sewer Revenue Bonds. The County will make the year 2020 scheduled debt service payment of \$275,000 on the 2010A G.O. Sewer Revenue Bonds due on February 1, 2020, from existing resources. The County issued the refunding bonds to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$506,176.

D. Other Postemployment Benefits (OPEB)

1. Plan Description

Kandiyohi County administers an OPEB plan, a single-employer defined benefit health care plan, to statutory officials by providing contributions to a health care savings account upon termination, based on length of service.

The County also provides health insurance benefits for eligible retired employees and their dependents. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

2. Funding Policy

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75. The OPEB plan does not issue a stand-alone financial report.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

2. Funding Policy (Continued)

As of the January 1, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active plan participants	406
Total	411

3. Total OPEB Liability

The County's total OPEB liability of \$1,149,406 was measured by an actuarial valuation as of January 1, 2018, and was rolled forward to a measurement date of January 1, 2019. For the governmental activities, the OPEB liability is liquidated through the General Fund, Road and Bridge and Human Services Special Revenue Funds, and other funds with personal services expenditures. For the business-type activities, the OPEB liability is liquidated through the Glacial Lakes Sanitary Sewer and Water Enterprise Fund.

The total OPEB liability in the addendum to the actuarial valuation for the fiscal year ended December 31, 2019, reporting date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.50 percent
Salary increases	3.00 percent
Medical trend	6.25 percent in 2019, grading to 5.00 percent over five* years

*The trend rate assumption has not changed since the initial valuation date of January 1, 2018. The initial rate shown above is as of January 1, 2019, and has decreased from the initial rate in the January 1, 2018, actuarial valuation report due to the assumed decrease over the select period.

The current year discount rate is 3.80 percent. The discount rate is based on the 20-Year AA-rated municipal bond yield.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

3. Total OPEB Liability (Continued)

Mortality rates used are based on Society of Actuaries RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).

Retirement and withdrawal assumptions used are similar to those used to value pension liabilities for Minnesota public employees. The state pension plans base their assumptions on periodic experience studies.

4. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2019	\$ 1,123,354
Changes for the year	
Service cost	\$ 70,186
Interest	38,466
Plan changes	7,289
Assumption changes	(33,639)
Benefit payments	(56,250)
Net change	\$ 26,052
Balance at December 31, 2019	\$ 1,149,406

5. OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.80%	\$ 1,230,227
Current	3.80	1,149,406
1% Increase	4.80	1,073,433

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

5. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

	Health Care Trend Rates	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 1,035,701
Current	6.25% Decreasing to 5.00%	1,149,406
1% Increase	7.25% Decreasing to 6.00%	1,281,855

6. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the County recognized OPEB expense of \$111,736. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ -	\$ 29,434
Contributions made subsequent to the measurement date	88,360	-
Total	\$ 88,360	\$ 29,434

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

6. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The \$88,360 reported deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement will be recognized as a reduction of the OPEB liability for the year ended December 31, 2020. The amount reported as deferred inflows of resources related to OPEB will be recognized in expense as follows:

Year Ended December 31	OPEB Expense Amount
2020	\$ (4,205)
2021	(4,205)
2022	(4,205)
2023	(4,205)
2024	(4,205)
Thereafter	(8,409)

7. Changes in Actuarial Assumptions and Plan Provisions

The following change in actuarial assumptions occurred in 2019:

- The discount rate was changed from 3.30 percent to 3.80 percent.

The following change in plan provisions occurred in 2019:

- The County is paying \$430 per month toward medical premiums from June 2019 through November 2020 for one retiree.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of Kandiyohi County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), the Public Employees Police and Fire Plan (the Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan (the Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Kandiyohi County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

Beginning January 1, 2019, Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Beginning January 1, 2019, Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive 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 Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.30 percent of their annual covered salary in 2019. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2019.

In 2019, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.95
Correctional Plan	8.75

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2018.

The County's contributions for the year ended December 31, 2019, to the pension plans were:

General Employees Plan	\$ 1,557,643
Police and Fire Plan	455,577
Correctional Plan	262,722

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

d. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of \$15,994,749 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.2893 percent. It was 0.2840 percent measured as of June 30, 2018. The County recognized pension expense of \$2,019,851 for its proportionate share of the General Employees Plan's pension expense.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County also recognized \$37,231 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually.

The County's proportionate share of the net pension liability	\$	15,994,749
State of Minnesota's proportionate share of the net pension liability associated with the County		497,145
Total	\$	16,491,894

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 444,160	\$ -
Changes in actuarial assumptions	-	1,253,661
Difference between projected and actual investment earnings	-	1,643,189
Changes in proportion	472,221	220,246
Contributions paid to PERA subsequent to the measurement date	781,180	-
Total	\$ 1,697,561	\$ 3,117,096

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The \$781,180 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2020	\$ (666,987)
2021	(1,318,940)
2022	(240,565)
2023	25,777

Police and Fire Plan

At December 31, 2019, the County reported a liability of \$2,713,668 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.2549 percent. It was 0.2400 percent measured as of June 30, 2018. The County recognized pension expense of \$308,083 for its proportionate share of the Police and Fire Plan's pension expense.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The County also recognized \$34,411 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. In addition, the state will pay direct state aid of \$4.5 million on October 1, 2018, and October 1, 2019, and \$9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 111,834	\$ 415,422
Changes in actuarial assumptions	2,252,797	2,963,120
Difference between projected and actual investment earnings	-	530,346
Changes in proportion	128,796	267,595
Contributions paid to PERA subsequent to the measurement date	227,181	-
	<u>227,181</u>	<u>-</u>
Total	<u>\$ 2,720,608</u>	<u>\$ 4,176,483</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The \$227,181 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	\$ (231,378)
2021	(394,972)
2022	(1,084,772)
2023	7,616
2024	20,450

Correctional Plan

At December 31, 2019, the County reported a liability of \$188,527 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 1.3617 percent. It was 1.3799 percent measured as of June 30, 2018. The County recognized pension expense of \$361,110 for its proportionate share of the Correctional Plan's pension expense.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,017	\$ 30,889
Changes in actuarial assumptions	-	1,694,224
Difference between projected and actual investment earnings	-	245,919
Changes in proportion	23,240	2,245
Contributions paid to PERA subsequent to the measurement date	132,914	-
Total	\$ 163,171	\$ 1,973,277

The \$132,914 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	\$ (1,003,707)
2021	(880,936)
2022	(60,230)
2023	1,853

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was \$2,689,044.

e. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019:

General Employees Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

Police and Fire Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

Correctional Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

h. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)
1% Decrease	6.50%	\$ 26,294,506	6.50%	\$ 5,931,574	6.50%	\$ 2,009,311
Current	7.50	15,994,749	7.50	2,713,668	7.50	188,527
1% Increase	8.50	7,490,252	8.50	53	8.50	(1,268,396)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

i. Pension Plan Fiduciary Net Position

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

2. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by Kandiyohi during the year ended December 31, 2019, were:

	Employee	Employer
Contribution amount	\$ 8,193	\$ 8,193
Percentage of covered payroll	5.00%	5.00%

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. 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 closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each year-end. The County estimated the cost of closure and postclosure care to be \$7,890,444, with 122,961 cubic yards remaining capacity to be filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2019. 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, 2019, cash and investments of \$8,207,330 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 for which the County carries commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County is self-insured for employee dental coverage. For other risks, the County carries commercial insurance. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. 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 \$500,000 per claim in 2019 and 2020. 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 \$35 per month for each participating employee in 2019. 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 accrued benefits at December 31, 2019 and 2018. The following discloses the claims activity during fiscal years 2019 and 2018.

	Year Ended December 31	
	2019	2018
Beginning liability	\$ -	\$ -
Current year claims	343,011	402,743
Claim payments	(343,011)	(402,743)
End-of-Year Liability	\$ -	\$ -

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

D. Joint Ventures

Counties Providing Technology

Counties Providing Technology (CPT) was established in 2018, under the authority conferred upon by member parties by Minn. Stat. § 471.59, for the purpose of purchasing the former software vendor, Computer Professionals Unlimited, Inc., (CPUI) and to provide for the development, operation, and maintenance of technology applications and systems. Kandiyohi County and 22 other counties are members of CPT. Each member county provided an initial contribution to start up CPT and provide funds for the purchase of CPUI. CPT purchased CPUI in September 2018 for a purchase price of \$3,600,000.

Control is vested in the CPT Board, which consists of one individual appointed by each member county's Board of Commissioners. The joint powers agreement provides that initial operating capital contributed by each member is to be repaid from any excess in fund balance at the end of the fiscal year, in proportion to the initial contribution. Once the initial contribution is repaid, there is no remaining equity interest for the member counties.

Financing is primarily from county member contributions. During 2019, Kandiyohi County contributed \$74,331 to CPT.

Current financial information can be obtained from the Stevens County Auditor/Treasurer, 400 Colorado Avenue, Suite 303, Morris, Minnesota 56267.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Kandiyohi – Region 6W Community Corrections Agency Detention Center (Prairie Lakes Youth Programs)

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

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

Complete financial information can be obtained from the Youth Programs' office, 1808 Civic Center Drive Northeast, Willmar, Minnesota 56201.

Southwestern Minnesota Adult Mental Health Consortium Board

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

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

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

Crow River Joint Powers Agreement

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

The Board of Directors meets at least two times per year, or more often if needed, at the location to be set by the chair of the Joint Powers Board. The purpose of this agreement is the joint exercise of powers by the member counties to promote the orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans.

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Central Minnesota Emergency Services Board

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

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

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

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2019, Kandiyohi County contributed \$51,921 to the Board.

Complete financial information can be obtained from Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street North, St. Cloud, Minnesota 56301.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Coordinated Enforcement Effort VI Task Force

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

Control of the Task Force is vested in a Board of Directors comprised of 13 members. The Board consists of the department heads or a designee from each participating full-time member agency.

The Task Force was established to receive and expend federal, state, and local grants and other related funds for the purpose of investigation of burglary, theft, narcotics, stolen property, and crimes of violence. Kandiyohi County has no operational or financial control over the CEE VI Task Force. During the year, Kandiyohi County contributed \$201,448 in funds to the Task Force. In an agent capacity, Kandiyohi County reports the cash transactions of the CEE VI Task Force in the Agency Fund on its financial statements.

Putting All Communities Together for Families Collaborative

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Putting All Communities Together for Families Collaborative (Continued)

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

McLeod County has acted as fiscal agent for PACT since January 1, 2016. Financial information can be obtained from PACT for Families Collaborative, 2200 – 23rd Street Northwest, Suite 2030, Willmar, Minnesota 56201.

Southern Prairie Community Care

Kandiyohi County entered into a joint powers agreement on June 26, 2012, with Chippewa, Cottonwood, Jackson, Lincoln, Lyon, Murray, Nobles, Redwood, Rock, Swift, and Yellow Medicine Counties to establish the Southern Prairie Health Purchasing Alliance pursuant to the provisions of Minn. Stat. § 471.59. In 2014, the Southern Prairie Health Purchasing Alliance changed its name to Southern Prairie Community Care. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Redwood, and Rock Counties in this agreement. The purpose of the Joint Powers Board is to plan, formulate, operate, and govern a rural care delivery system to improve the health and quality of life of the citizens of member counties. The Joint Powers Board is composed of one representative from each county.

DVHHS serves as fiscal agent and reports the transactions of Southern Prairie Community Care as an agency fund on its financial statements. Financial information can be obtained by contacting Southern Prairie Community Care, 607 West Main Street, PO Box 513, Marshall, Minnesota 56258.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Pioneerland Regional Library System

Kandiyohi County, along with 32 cities and nine other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional library service. The Pioneerland Library System is governed by the Pioneerland Library System Board composed of 35 members appointed by member cities and counties. During the year, Kandiyohi County contributed \$381,700 to the System.

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

Kandiyohi-Renville Community Health Board

The Kandiyohi-Renville Community Health Board was established in January 2013 by a joint powers agreement between Kandiyohi County and Renville County. The agreement was made to establish a community health board delegating certain duties to a local board of health to allow the residents of each county to enjoy more efficient local public health services and provide the foundation for a strong local public health system. The Community Health Board is governed by a seven-member board made up of two County Commissioners from each county, one community member from each county, and one at-large community member appointed by the governing board using an alternating rotation of appointment.

Complete financial information may be obtained at Kandiyohi County Health and Human Services, 2200 – 23rd Street Northeast, Suite 1080, Willmar, Minnesota 56201-6600.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

E. Jointly-Governed Organization

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

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

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

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

The EDC is a special taxing district and financed through levies. Kandiyohi County, in a fiscal host capacity, reports the cash transactions of the EDC in the Agency Fund on its financial statements. Complete financial information for the EDC can be obtained at Kandiyohi County and City of Willmar Economic Development Commission, 222 – 20th Street Southeast, Willmar, Minnesota 56201.

F. Subsequent Event

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Economic activity decreased in 2020, including gasoline sales taxes collected by the State of Minnesota used for funding County State Aid Highways (CSAH) revenue recorded in the County's Road and Bridge Special Revenue Fund. As a result, a decrease of approximately 15 percent of CSAH revenue is expected to be received for calendar year 2021.

The County expects to receive \$5.2 million in funding under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act in July 2020. The CARES Act requires the County use the funding to cover eligible expenses incurred due to the COVID-19 public health emergency.

The Kandiyohi County Housing and Redevelopment Authority component unit has been awarded \$529,020 from CARES Act funding as follows:

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

F. Subsequent Event (Continued)

- \$137,219 from the U.S. Department of Housing and Urban Development (HUD) for the Housing Choice Voucher Program and the Public Housing Program,
- \$30,241 from the McLeod County Housing and Redevelopment Authority for managing its HUD Housing Choice Voucher Program. The funding came from HUD for the Housing Choice Voucher Program, and
- \$361,560 from the Minnesota Housing Finance Agency to administer the COVID-19 Housing Assistance Program.

5. 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, 2019.

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

B. Capital Assets

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

C. Deposits and Investments

The HRA's cash and investments as of June 30, 2019, are summarized as follows:

Unrestricted	
Cash and temporary investments	\$ 2,839,350
Investments (certificates of deposit)	909,484
Restricted	
Cash	240,589
Cash, tenant security deposits	80,785
Investments (certificates of deposit)	99,632
	<hr/>
Total	\$ 4,169,840
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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Kandiyohi County Housing and Redevelopment Authority (HRA)

C. Deposits and Investments (Continued)

In accordance with Minnesota statutes, the HRA maintains deposits at depository banks authorized by the Board. The carrying amount of the HRA's deposits with financial institutions was \$4,169,840 as of June 30, 2019; the bank balance was \$4,240,698.

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

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Kandiyohi County Housing and Redevelopment Authority (HRA)

C. Deposits and Investments (Continued)

- (g) guaranteed investment contracts issued or guaranteed by a United States commercial bank or domestic branch of a foreign bank or a United States insurance company or its Canadian or United States subsidiary, provided it ranks on a parity with the senior unsecured debt obligations of the issuer or guarantor and meets other requirements as stated in Minnesota statutes.

D. Receivables

Receivables for the HRA at June 30, 2019, included notes and mortgage receivables in the amount of \$681,379.

E. Capital Assets

The HRA's capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,148,157	\$ 20,000	\$ -	\$ 1,168,157
Landscaping	27,244	-	-	27,244
Work in progress	-	105,667	23,275	82,392
	<u>1,175,401</u>	<u>125,667</u>	<u>23,275</u>	<u>1,277,793</u>
Total capital assets not depreciated	<u>\$ 1,175,401</u>	<u>\$ 125,667</u>	<u>\$ 23,275</u>	<u>\$ 1,277,793</u>
Capital assets depreciated				
Building	\$ 14,437,226	\$ 8,942	\$ -	\$ 14,446,168
Furniture and equipment	369,212	22,885	4,655	387,442
Development cost	4,903,972	-	-	4,903,972
	<u>19,710,410</u>	<u>31,827</u>	<u>4,655</u>	<u>19,737,582</u>
Total capital assets depreciated	<u>\$ 19,710,410</u>	<u>\$ 31,827</u>	<u>\$ 4,655</u>	<u>\$ 19,737,582</u>
Less: accumulated depreciation	<u>15,212,848</u>	<u>425,737</u>	<u>4,655</u>	<u>15,633,930</u>
Total capital assets depreciated, net	<u>\$ 4,497,562</u>	<u>\$ (393,910)</u>	<u>\$ -</u>	<u>\$ 4,103,652</u>
Total Capital Assets, Net	<u>\$ 5,672,963</u>	<u>\$ (268,243)</u>	<u>\$ 23,275</u>	<u>\$ 5,381,445</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Kandiyohi County Housing and Redevelopment Authority (HRA)

E. Capital Assets (Continued)

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

Business-type activities	
Country View Place	\$ 18,099
Public Housing	366,977
Housing Project	37,861
Tax Levy	<u>2,800</u>
Total Depreciation Expense	<u>\$ 425,737</u>

F. Payables

Payables for the HRA at June 30, 2019, were as follows:

Accounts	\$ 74,577
Salaries payable	136,194
Accrued interest payable	3,049
Other accrued liabilities	<u>84,973</u>
Total	<u>\$ 298,793</u>

G. Property Taxes

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

H. Long-Term Debt

Long-term debt outstanding at June 30, 2019, for the HRA consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Beginning Balance</u>	<u>Ending Balance</u>
Essential Function				
Housing Development Bond of 1997	2031	4.70	\$ 901,461	\$ 845,609
Minnesota Housing Finance Agency	2035	0.00	158,409	158,409
Bridges RTC	N/A	0.00	2,000	2,000
Country View Place	N/A	0.00	82,080	82,080
POHP	N/A	0.00	1,906,818	1,906,818
Total			<u>\$ 3,050,768</u>	<u>\$ 2,994,916</u>

The estimated debt service requirements as of June 30, 2019, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 60,343	\$ 36,908	\$ 97,251
2021	63,241	34,010	97,251
2022	66,279	30,973	97,252
2023	69,462	27,790	97,252
2024	72,798	24,454	97,252
2025 - 2029	419,912	66,345	486,257
2030 - 2034	93,574	1,041	94,615
2035 - 2036	2,149,307	-	2,149,307
Total	<u>\$ 2,994,916</u>	<u>\$ 221,521</u>	<u>\$ 3,216,437</u>

I. Lease Agreement

The HRA renewed the lease expiring October 31, 2018, for two additional years commencing November 1, 2018, for office space with Kandiyohi County. Under the terms of the lease, the HRA is required to make monthly lease payments to the County in the amount of \$4,445. The HRA rental expense for the year ending June 30, 2019, totaled \$52,071.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Kandiyohi County Housing and Redevelopment Authority (HRA)

I. Lease Agreement (Continued)

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

	<u>Amount</u>
2020	\$ 53,340
2021	17,780

J. Risk Management

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

K. Contingencies

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

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REQUIRED SUPPLEMENTARY INFORMATION

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 18,302,550	\$ 18,302,550	\$ 18,251,551	\$ (50,999)
Special assessments	-	-	370,993	370,993
Licenses and permits	448,200	448,200	387,260	(60,940)
Intergovernmental	4,367,789	4,367,789	6,078,712	1,710,923
Charges for services	4,389,200	4,389,200	4,855,896	466,696
Fines and forfeits	73,500	73,500	90,534	17,034
Gifts and contributions	-	-	32,053	32,053
Investment earnings	385,000	385,000	1,623,577	1,238,577
Miscellaneous	521,700	521,700	1,180,290	658,590
Total Revenues	\$ 28,487,939	\$ 28,487,939	\$ 32,870,866	\$ 4,382,927
Expenditures				
Current				
General government				
Board of County Commissioners	\$ 396,900	\$ 396,900	\$ 368,624	\$ 28,276
Court system	15,000	15,000	16,780	(1,780)
Law library	60,000	60,000	56,728	3,272
County administrator	179,900	179,900	188,478	(8,578)
Passport	46,000	46,000	45,752	248
Auditor	786,800	786,800	766,371	20,429
License bureau	463,800	463,800	437,560	26,240
External audit	82,500	82,500	103,773	(21,273)
Assessor	801,100	801,100	754,814	46,286
Human resources	211,700	211,700	196,182	15,518
Data processing	971,100	971,100	993,819	(22,719)
Communications	-	-	26,514	(26,514)
Computer maintenance	-	-	11,892	(11,892)
GIS services	85,000	85,000	74,990	10,010
Elections	15,400	15,400	73,993	(58,593)
County attorney	1,626,600	1,626,600	1,695,581	(68,981)
County attorney's contingent	-	-	27,165	(27,165)
Recorder	505,000	505,000	487,078	17,922
Surveyor	122,400	122,400	121,251	1,149
Grounds maintenance building	44,000	44,000	21,066	22,934
Prairie Lakes Youth building	69,100	69,100	58,282	10,818
Courthouse	528,200	528,200	466,042	62,158
County office building	68,000	68,000	64,584	3,416
Veterans service	200,100	200,100	201,999	(1,899)
Planning and zoning	600,000	600,000	559,908	40,092
Other general government	1,141,000	1,141,000	2,130,144	(989,144)
Total general government	\$ 9,019,600	\$ 9,019,600	\$ 9,949,370	\$ (929,770)

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 4,737,900	\$ 4,737,900	\$ 4,925,020	\$ (187,120)
Safe and sober grant	42,000	42,000	43,841	(1,841)
Snowmobile patrol	4,900	4,900	4,902	(2)
800 MHZ (ARMER) radio system	-	-	8,592	(8,592)
Dispatch center	1,526,000	1,526,000	1,411,655	114,345
Boat and water safety enforcement	33,200	33,200	45,957	(12,757)
DARE program	-	-	2,049	(2,049)
Coroner	90,000	90,000	39,574	50,426
County jail	5,512,500	5,512,500	5,424,279	88,221
Community corrections	2,568,200	2,568,200	2,510,883	57,317
Civil defense	321,100	321,100	309,886	11,214
Rescue squad	74,200	74,200	63,348	10,852
911 emergency telephone	13,000	13,000	90,815	(77,815)
Correctional facility building	861,300	861,300	810,475	50,825
Shelter house	39,000	39,000	39,000	-
Total public safety	\$ 15,823,300	\$ 15,823,300	\$ 15,730,276	\$ 93,024
Health				
Public health service	\$ 2,592,500	\$ 2,588,190	\$ 2,565,591	\$ 22,599
Culture and recreation				
Celebrations	\$ 2,000	\$ 2,000	\$ 400	\$ 1,600
Humane Society of Kandiyohi County	37,100	37,100	36,000	1,100
Historical Society	68,000	68,000	68,000	-
County fair	23,000	23,000	23,000	-
County parks	621,300	621,300	601,505	19,795
Snowmobile trails	-	-	64,887	(64,887)
Total culture and recreation	\$ 751,400	\$ 751,400	\$ 793,792	\$ (42,392)
Conservation of natural resources				
County extension	\$ 186,000	\$ 186,000	\$ 171,079	\$ 14,921
Soil and Water Conservation District	149,000	149,000	149,000	-
Public drainage	116,100	116,100	8,754	107,346
Riparian aid ditch buffer	-	-	50,760	(50,760)
Prairie Woods Environmental Learning Center	142,000	142,000	142,000	-
Shorelands management project	6,900	6,900	6,061	839

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
Conservation of natural resources (Continued)				
Septic loan program	-	-	376,050	(376,050)
Water planning	33,600	33,600	45,543	(11,943)
Feedlot program	79,400	79,400	82,771	(3,371)
Lakes	83,700	83,700	371,914	(288,214)
Total conservation of natural resources	\$ 796,700	\$ 796,700	\$ 1,403,932	\$ (607,232)
Economic development				
Tourism and economic development	\$ 14,000	\$ 14,000	\$ 5,181	\$ 8,819
Region 6E Community Action Agency	30,000	30,000	30,000	-
Total economic development	\$ 44,000	\$ 44,000	\$ 35,181	\$ 8,819
Debt service				
Principal	\$ -	\$ -	\$ 313,192	\$ (313,192)
Interest	-	-	35,049	(35,049)
Total debt service	\$ -	\$ -	\$ 348,241	\$ (348,241)
Total Expenditures	\$ 29,027,500	\$ 29,023,190	\$ 30,826,383	\$ (1,803,193)
Excess of Revenues Over (Under) Expenditures	\$ (539,561)	\$ (535,251)	\$ 2,044,483	\$ 2,579,734
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 160,604	\$ 160,604
Loans issued	-	-	376,050	376,050
Proceeds from sale of capital assets	5,000	5,000	27,834	22,834
Total Other Financing Sources (Uses)	\$ 5,000	\$ 5,000	\$ 564,488	\$ 559,488
Net Change in Fund Balance	\$ (534,561)	\$ (530,251)	\$ 2,608,971	\$ 3,139,222
Fund Balance – January 1	19,612,981	19,612,981	19,612,981	-
Fund Balance – December 31	\$ 19,078,420	\$ 19,082,730	\$ 22,221,952	\$ 3,139,222

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,880,854	\$ 7,880,854	\$ 8,055,220	\$ 174,366
Intergovernmental	13,302,146	13,302,146	10,667,547	(2,634,599)
Charges for services	600,000	600,000	471,259	(128,741)
Investment earnings	20,000	20,000	75,648	55,648
Miscellaneous	-	-	25,270	25,270
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 21,803,000	\$ 21,803,000	\$ 19,294,944	\$ (2,508,056)
Expenditures				
Current				
Highways and streets				
Administration	\$ 722,200	\$ 722,200	\$ 736,888	\$ (14,688)
Road and bridge	3,490,700	3,490,700	2,778,307	712,393
Construction	15,606,600	15,606,600	14,504,599	1,102,001
Equipment maintenance shop	1,272,000	1,272,000	954,309	317,691
	<hr/>	<hr/>	<hr/>	<hr/>
Total highways and streets	\$ 21,091,500	\$ 21,091,500	\$ 18,974,103	\$ 2,117,397
Intergovernmental				
Highways and streets	473,900	473,900	469,563	4,337
Debt service				
Principal	200,000	200,000	200,000	-
Interest	37,600	37,600	37,600	-
Administrative (fiscal) charges	-	-	423	(423)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 21,803,000	\$ 21,803,000	\$ 19,681,689	\$ 2,121,311
Net Change in Fund Balance	\$ -	\$ -	\$ (386,745)	\$ (386,745)
Fund Balance – January 1	10,830,378	10,830,378	10,830,378	-
Increase (decrease) in inventories	-	-	(27,480)	(27,480)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance – December 31	\$ 10,830,378	\$ 10,830,378	\$ 10,416,153	\$ (414,225)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,651,412	\$ 7,651,412	\$ 7,594,943	\$ (56,469)
Intergovernmental	9,796,288	9,796,288	11,552,111	1,755,823
Charges for services	938,500	938,500	1,349,815	411,315
Miscellaneous	138,900	138,900	114,569	(24,331)
Total Revenues	<u>\$ 18,525,100</u>	<u>\$ 18,525,100</u>	<u>\$ 20,611,438</u>	<u>\$ 2,086,338</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 4,658,600	\$ 4,658,600	\$ 4,621,924	\$ 36,676
Social services	13,866,500	13,866,500	14,657,798	(791,298)
Total Expenditures	<u>\$ 18,525,100</u>	<u>\$ 18,525,100</u>	<u>\$ 19,279,722</u>	<u>\$ (754,622)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 1,331,716	\$ 1,331,716
Fund Balance – January 1	<u>8,050,011</u>	<u>8,050,011</u>	<u>8,050,011</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 8,050,011</u></u>	<u><u>\$ 8,050,011</u></u>	<u><u>\$ 9,381,727</u></u>	<u><u>\$ 1,331,716</u></u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
SANITARY LANDFILL/RECYCLING CENTER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ -	\$ -	\$ 1,490	\$ 1,490
Intergovernmental	120,000	120,000	202,811	82,811
Charges for services	3,594,000	3,594,000	3,981,145	387,145
Investment earnings	64,500	64,500	508,516	444,016
Miscellaneous	455,000	455,000	163,505	(291,495)
Total Revenues	\$ 4,233,500	\$ 4,233,500	\$ 4,857,467	\$ 623,967
Expenditures				
Current				
Sanitation				
Solid waste	\$ 3,076,850	\$ 3,076,850	\$ 2,987,080	\$ 89,770
Debt service				
Principal	255,000	255,000	255,000	-
Interest	18,450	18,450	18,450	-
Administrative (fiscal) charges	-	-	1,025	(1,025)
Total Expenditures	\$ 3,350,300	\$ 3,350,300	\$ 3,261,555	\$ 88,745
Net Change in Fund Balance	\$ 883,200	\$ 883,200	\$ 1,595,912	\$ 712,712
Fund Balance – January 1	16,317,080	16,317,080	16,317,080	-
Fund Balance – December 31	\$ 17,200,280	\$ 17,200,280	\$ 17,912,992	\$ 712,712

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-5

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 469,010	\$ 469,010	\$ 464,643	\$ (4,367)
Intergovernmental	28,490	28,490	156,002	127,512
Investment earnings	-	-	66,894	66,894
Miscellaneous	-	-	231,996	231,996
Total Revenues	\$ 497,500	\$ 497,500	\$ 919,535	\$ 422,035
Expenditures				
Current				
General government	\$ 185,000	\$ 185,000	\$ 306,586	\$ (121,586)
Public safety	5,000	5,000	-	5,000
Culture and recreation	281,500	281,500	85,776	195,724
Conservation of natural resources	26,000	26,000	26,032	(32)
Total Expenditures	\$ 497,500	\$ 497,500	\$ 418,394	\$ 79,106
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 501,141	\$ 501,141
Other Financing Sources (Uses)				
Transfers in	-	-	250,000	250,000
Net Change in Fund Balance	\$ -	\$ -	\$ 751,141	\$ 751,141
Fund Balance – January 1	4,993,073	4,993,073	4,993,073	-
Fund Balance – December 31	\$ 4,993,073	\$ 4,993,073	\$ 5,744,214	\$ 751,141

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2019**

	<u>2019</u>	<u>2018*</u>
Total OPEB Liability		
Service cost	\$ 70,186	\$ 73,921
Interest	38,466	37,256
Changes of benefit terms	7,289	-
Changes of assumption or other inputs	(33,639)	-
Benefit payments	<u>(56,250)</u>	<u>(85,044)</u>
Net change in total OPEB liability	\$ 26,052	\$ 26,133
Total OPEB Liability – Beginning	<u>1,123,354</u>	<u>1,097,221</u>
Total OPEB Liability – Ending	<u>\$ 1,149,406</u>	<u>\$ 1,123,354</u>
Covered-employee payroll	\$ 25,252,274	\$ 24,516,771
Total OPEB liability (asset) as a percentage of covered-employee payroll	4.55%	4.58%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

*The 2018 Total OPEB Liability – Beginning was restated.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Kandiyohi County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.2893 %	\$ 15,994,749	\$ 497,145	\$ 16,491,894	\$ 20,476,221	78.11 %	80.23 %
2018	0.2840	15,755,156	516,770	16,271,926	19,085,900	82.55	79.53
2017	0.2909	18,570,864	233,534	18,804,398	18,742,194	99.09	75.90
2016	0.2785	22,612,819	295,293	22,908,112	17,278,839	130.87	68.91
2015	0.2860	14,822,004	N/A	14,822,004	16,807,514	88.19	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 1,557,635	\$ 1,557,643	\$ 8	\$ 20,768,473	7.50 %
2018	1,499,734	1,499,734	-	19,996,413	7.50
2017	1,375,983	1,375,980	(3)	18,346,441	7.50
2016	1,325,454	1,325,459	5	17,672,716	7.50
2015	1,277,192	1,277,374	183	17,029,220	7.50

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.2549 %	\$ 2,713,668	\$ 2,686,545	101.01 %	89.26 %
2018	0.2400	2,562,416	2,533,953	101.12	88.84
2017	0.2480	3,348,295	2,544,847	131.57	85.43
2016	0.2550	10,233,594	2,461,411	415.76	63.88
2015	0.2610	2,965,571	2,383,722	124.41	86.61

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 435,419	\$ 455,577	\$ 20,158	\$ 2,687,770	16.95 %
2018	422,675	422,675	-	2,609,106	16.20
2017	404,992	404,992	-	2,499,952	16.20
2016	398,033	398,033	-	2,456,992	16.20
2015	393,580	393,582	2	2,429,504	16.20

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	1.3617 %	\$ 188,527	\$ 2,900,401	6.50 %	98.17 %
2018	1.3799	226,952	2,818,257	8.05	97.64
2017	1.3700	3,904,514	2,745,159	142.23	67.89
2016	1.3600	4,968,270	2,566,973	193.55	58.16
2015	1.3300	205,618	2,386,041	8.62	96.95

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT A-12

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 262,722	\$ 262,722	\$ -	\$ 3,002,535	8.75 %
2018	250,759	250,759	-	2,865,819	8.75
2017	237,465	237,465	-	2,713,877	8.75
2016	228,026	228,026	-	2,606,008	8.75
2015	219,246	219,246	-	2,505,667	8.75

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Ditch, DARE, and Regional Treatment Center Special Revenue Funds, and the Debt Service 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, except for the Ditch Special Revenue Fund, which is not budgeted.

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

The Board of County Commissioners did not revise the budgetary appropriations at the fund, function, or department level during the fiscal year for the General Fund and the budgeted major special revenue funds.

2. Excess of Expenditures Over Budget

The following is a summary of the individual major funds that had expenditures in excess of budget for the year ended December 31, 2019:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 30,826,383	\$ 29,023,190	\$ 1,803,193
Human Services Special Revenue Fund	19,279,722	18,525,100	754,622

3. Other Postemployment Benefits Funded Status

See Note 3.D. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employer Contributions to Other Postemployment Benefits

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

5. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

2019

The following changes in actuarial assumptions occurred in 2019:

- The discount rate was changed from 3.30 percent to 3.80 percent.
- The County is paying \$430 per month toward medical premiums from June 2019 through November 2020 for one retiree.

2018

The following changes in actuarial methods and assumptions and plan provisions occurred in 2018:

- The actuarial cost method used changed from the Projected Unit Credit to Entry Age, level percentage of pay.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with blue collar adjustment for police and fire personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).
- The retirement and withdrawal tables for all employees were updated.
- The discount rate was changed from 3.50 percent to 3.30 percent.
- The postemployment medical subsidy amounts for elected statutory officers increased to \$10,000 with 15 years of service; \$15,000 with 20 years of services; and \$25,000 with 25 years of service.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Retirement Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2018 (Continued)

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2016 (Continued)

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2018 (Continued)

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2017 (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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, 2019**

	Capital Equipment	County Library
<u>Assets</u>		
Cash and investments	\$ 4,905,753	\$ 210,696
Taxes receivable		
Delinquent	12,772	5,532
Accounts receivable	-	-
Accrued interest receivable	29,114	-
Due from other funds	-	-
Due from other governments	-	-
	\$ 4,947,639	\$ 216,228
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 9,029	\$ 1,564
Salaries payable	-	2,641
Due to other funds	-	-
Due to other governments	-	3,436
Advance from other funds	-	-
	\$ 9,029	\$ 7,641
Deferred Inflows of Resources		
Unavailable revenue	\$ 38,208	\$ 3,843
Fund Balances		
Committed to		
Purchases of capital equipment	\$ 4,900,402	\$ -
Library operations and building maintenance	-	204,744
DARE program	-	-
Health and Human Services Building operations and maintenance	-	-
Unassigned	-	-
	\$ 4,900,402	\$ 204,744
Total Fund Balances	\$ 4,900,402	\$ 204,744
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,947,639	\$ 216,228

EXHIBIT B-1

<u>DARE</u>	<u>Health and Human Services Building</u>	<u>Regional Treatment Center</u>	<u>Total</u>
\$ 83,984	\$ 1,462,191	\$ 103,657	\$ 6,766,281
-	3,884	-	22,188
-	186	-	186
-	-	-	29,114
-	16,129	-	16,129
508	3,032	-	3,540
<u>\$ 84,492</u>	<u>\$ 1,485,422</u>	<u>\$ 103,657</u>	<u>\$ 6,837,438</u>
\$ -	\$ 4,311	\$ 2,637	\$ 17,541
-	15,625	5,424	23,690
-	87	-	87
305	14,771	816	19,328
-	-	125,000	125,000
<u>\$ 305</u>	<u>\$ 34,794</u>	<u>\$ 133,877</u>	<u>\$ 185,646</u>
<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 45,051</u>
\$ -	\$ -	\$ -	\$ 4,900,402
-	-	-	204,744
84,187	-	-	84,187
-	1,447,628	-	1,447,628
-	-	(30,220)	(30,220)
<u>\$ 84,187</u>	<u>\$ 1,447,628</u>	<u>\$ (30,220)</u>	<u>\$ 6,606,741</u>
<u>\$ 84,492</u>	<u>\$ 1,485,422</u>	<u>\$ 103,657</u>	<u>\$ 6,837,438</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, 2019**

	Capital Equipment	Glacial Lake Sewer
Revenues		
Taxes	\$ 992,270	\$ -
Intergovernmental	65,463	-
Fines and forfeits	-	-
Investment earnings	183,042	-
Miscellaneous	-	-
	\$ 1,240,775	\$ -
Expenditures		
Current		
General government	\$ 84,799	\$ -
Public safety	120,324	-
Highways and streets	486,428	-
Culture and recreation	-	-
Intergovernmental		
Culture and recreation	-	-
	\$ 691,551	\$ -
Net Change in Fund Balance	\$ 549,224	\$ -
Fund Balance – January 1	\$ 4,351,178	\$ 2,505,715
Prior period adjustment	-	(2,505,715)
	\$ 4,351,178	\$ -
Fund Balance – January 1, as restated	\$ 4,351,178	\$ -
Fund Balance – December 31	\$ 4,900,402	\$ -

EXHIBIT B-2

<u>County Library</u>	<u>DARE</u>	<u>Health and Human Services Building</u>	<u>Regional Treatment Center</u>	<u>Total</u>
\$ 425,287	\$ -	\$ 232,381	\$ -	\$ 1,649,938
135,840	-	15,381	-	216,684
-	26,382	-	-	26,382
-	-	-	-	183,042
38,808	-	548,647	259,097	846,552
<u>\$ 599,935</u>	<u>\$ 26,382</u>	<u>\$ 796,409</u>	<u>\$ 259,097</u>	<u>\$ 2,922,598</u>
\$ -	\$ -	\$ 585,719	\$ 176,149	\$ 846,667
-	18,582	-	-	138,906
-	-	-	-	486,428
207,027	-	-	-	207,027
381,700	-	-	-	381,700
<u>\$ 588,727</u>	<u>\$ 18,582</u>	<u>\$ 585,719</u>	<u>\$ 176,149</u>	<u>\$ 2,060,728</u>
<u>\$ 11,208</u>	<u>\$ 7,800</u>	<u>\$ 210,690</u>	<u>\$ 82,948</u>	<u>\$ 861,870</u>
\$ 193,536	\$ 76,387	\$ 1,236,938	\$ (113,168)	\$ 8,250,586
-	-	-	-	(2,505,715)
<u>\$ 193,536</u>	<u>\$ 76,387</u>	<u>\$ 1,236,938</u>	<u>\$ (113,168)</u>	<u>\$ 5,744,871</u>
<u>\$ 204,744</u>	<u>\$ 84,187</u>	<u>\$ 1,447,628</u>	<u>\$ (30,220)</u>	<u>\$ 6,606,741</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,002,034	\$ 1,002,034	\$ 992,270	\$ (9,764)
Intergovernmental	60,866	60,866	65,463	4,597
Investment earnings	-	-	183,042	183,042
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 1,062,900	\$ 1,062,900	\$ 1,240,775	\$ 177,875
Expenditures				
Current				
General government	\$ 186,000	\$ 186,000	\$ 84,799	\$ 101,201
Public safety	298,600	298,600	120,324	178,276
Highways and streets	578,300	578,300	486,428	91,872
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 1,062,900	\$ 1,062,900	\$ 691,551	\$ 371,349
Net Change in Fund Balance	\$ -	\$ -	\$ 549,224	\$ 549,224
Fund Balance – January 1	4,351,178	4,351,178	4,351,178	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance – December 31	\$ 4,351,178	\$ 4,351,178	\$ 4,900,402	\$ 549,224
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
COUNTY LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 430,548	\$ 430,548	\$ 425,287	\$ (5,261)
Intergovernmental	26,152	126,552	135,840	9,288
Miscellaneous	-	41,800	38,808	(2,992)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 456,700</u>	<u>\$ 598,900</u>	<u>\$ 599,935</u>	<u>\$ 1,035</u>
Expenditures				
Current				
Culture and recreation	\$ 75,000	\$ 217,200	\$ 207,027	\$ 10,173
Intergovernmental				
Culture and recreation	381,700	381,700	381,700	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 456,700</u>	<u>\$ 598,900</u>	<u>\$ 588,727</u>	<u>\$ 10,173</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,208</u>	<u>\$ 11,208</u>
Fund Balance – January 1	<u>193,536</u>	<u>193,536</u>	<u>193,536</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 193,536</u></u>	<u><u>\$ 193,536</u></u>	<u><u>\$ 204,744</u></u>	<u><u>\$ 11,208</u></u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 234,082	\$ 234,082	\$ 232,381	\$ (1,701)
Intergovernmental	14,218	14,218	15,381	1,163
Miscellaneous	495,600	495,600	548,647	53,047
Total Revenues	\$ 743,900	\$ 743,900	\$ 796,409	\$ 52,509
Expenditures				
Current				
General government	743,900	743,900	585,719	158,181
Net Change in Fund Balance	\$ -	\$ -	\$ 210,690	\$ 210,690
Fund Balance – January 1	1,236,938	1,236,938	1,236,938	-
Fund Balance – December 31	\$ 1,236,938	\$ 1,236,938	\$ 1,447,628	\$ 210,690

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

FIDUCIARY FUND

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

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT C-1

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>Assets</u>				
Cash and investments	\$ 1,426,665	\$ 59,405,290	\$ 59,513,762	\$ 1,318,193
<u>Liabilities</u>				
Due to other governments	\$ 1,426,665	\$ 59,405,290	\$ 59,513,762	\$ 1,318,193

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OTHER SCHEDULES

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2019**

	Assets						Total Assets
	Cash and Investments	Special Assessments Receivable		Accounts Receivable	Due From Other Funds	Due From Other Governments	
		Delinquent	Noncurrent				
County Ditches							
#4 Meeker County	\$ (1,166)	\$ 3,314	\$ 1,473	\$ -	\$ 77	\$ 54	\$ 3,752
#7	3,579	-	-	-	338	-	3,917
#8 R/B	16,418	28	20,034	-	-	999	37,479
#9	6,163	-	3,539	-	35	9	9,746
#9 Lat 1 Br A	20,744	-	-	-	-	-	20,744
#10 R/B	21,662	-	-	-	-	-	21,662
#12 R/B	3,567	2	2,994	6	145	533	7,247
#15	937	3	606	-	-	-	1,546
#16 R/B	(16,439)	36	29,442	-	350	425	13,814
#18 R/B	(21,488)	34	37,727	-	463	994	17,730
#19 R/B	2,336	1	6,631	1	149	1,493	10,611
#20	2,230	-	197	-	7	-	2,434
#23 R/B	9,480	106	1,726	5	38	2,351	13,706
#24 R/B	(26,805)	58	597,907	-	13,653	6,976	591,789
#24A Lat G	760	-	-	-	-	-	760
#24A Lat H	1,892	-	-	-	-	-	1,892
#24A Lat H-1	616	-	-	-	-	-	616
#24A Lat J	893	-	-	-	-	-	893
#26	(4,338)	-	5,438	113	272	-	1,485
#27	(1,555)	1,675	6,865	-	88	42	7,115
#28	2,768	4	5,209	-	504	100	8,585
#28 Impr Br 7	690	-	-	-	-	-	690
#28 Lat A Br 4	7,283	-	-	-	-	-	7,283
#29	(1,572)	-	5,758	-	88	137	4,411
#31 R/B	(48,720)	4,329	181,318	-	3,666	1,022	141,615
#34	(75)	-	5,326	-	90	281	5,622
#37	2,923	686	995	-	1	13	4,618
#38 R/B	1,418	-	1,411	-	12	32	2,873
#40 R/B	3,910	14	2,358	-	20	81	6,383
#42	6,575	-	-	-	-	-	6,575
#45	(178)	-	334	-	-	-	156
#46 R/B	22,118	2	1,952	22	98	544	24,736
#47 R/B	7,941	-	5,598	30	104	175	13,848
#48 R/B	5,563	-	-	-	-	-	5,563
#50	(1,646)	-	1,672	-	32	40	98
#51	(17,861)	54	1,203	205	-	4	(16,395)
#51 Lat A-1	252	-	-	-	-	-	252
#52	77	-	1,462	-	75	48	1,662
#52 Lat A	366,841	-	-	-	-	-	366,841
#54 Impr	24,283	-	-	-	-	-	24,283
#55	1,916	87	206	14	6	308	2,537
#56	1,825	-	1,098	-	73	136	3,132
#58	(8,574)	-	1,161	58	37	94	(7,224)
#60 R/B	(4,196)	1,592	29,521	-	-	701	27,618
#61	(2,880)	-	1,406	55	85	-	(1,334)
#62	3,885	-	-	-	-	-	3,885
#63 R/B	(4,321)	-	8,182	-	242	41	4,144
#64 R/B	(25,708)	-	44,101	139	1,446	390	20,368
#65 R/B	(8,010)	-	16,407	-	-	285	8,682
State Ditch							
#1 Impr Div 2	(31,192)	-	4,514	55	262	46	(26,315)

EXHIBIT D-1

Accounts Payable	Liabilities				Deferred Inflows of Resources Unavailable Revenue	Fund Balances			Total Liabilities, Deferred Inflows of Resources, and Fund Balances
	Due to Other Funds	Due to Other Governments	Advance From Other Funds	Total Liabilities		Restricted for Ditch Maintenance and Repairs	Unassigned	Total Fund Balances	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,527	\$ 225	\$ -	\$ 225	\$ 3,752
-	-	-	-	-	338	3,579	-	3,579	3,917
-	769	-	-	769	21,061	15,649	-	15,649	37,479
-	539	-	-	539	3,583	5,624	-	5,624	9,746
-	-	-	-	-	-	20,744	-	20,744	20,744
1,100	1,539	-	-	2,639	-	19,023	-	19,023	21,662
-	1,154	-	-	1,154	3,674	2,419	-	2,419	7,247
-	462	-	-	462	606	478	-	478	1,546
-	693	-	3,199	3,892	30,253	-	(20,331)	(20,331)	13,814
-	3,028	-	11,029	14,057	39,194	-	(35,521)	(35,521)	17,730
-	1,534	-	-	1,534	8,273	804	-	804	10,611
-	-	-	-	-	204	2,230	-	2,230	2,434
-	385	-	-	385	4,203	9,118	-	9,118	13,706
-	10,466	-	21,969	32,435	618,594	-	(59,240)	(59,240)	591,789
-	-	-	-	-	-	760	-	760	760
-	-	-	-	-	-	1,892	-	1,892	1,892
-	-	-	-	-	-	616	-	616	616
-	-	-	-	-	-	893	-	893	893
6,107	3,232	-	29,993	39,332	5,710	-	(43,557)	(43,557)	1,485
-	385	-	-	385	7,963	-	(1,233)	(1,233)	7,115
-	1,000	-	-	1,000	5,813	1,772	-	1,772	8,585
-	77	-	-	77	-	613	-	613	690
-	-	-	-	-	-	7,283	-	7,283	7,283
-	616	-	-	616	5,983	-	(2,188)	(2,188)	4,411
-	2,232	-	-	2,232	188,832	-	(49,449)	(49,449)	141,615
-	2,001	-	-	2,001	5,697	-	(2,076)	(2,076)	5,622
-	2,463	-	-	2,463	1,695	460	-	460	4,618
-	1,077	-	-	1,077	1,455	341	-	341	2,873
-	1,385	-	-	1,385	2,473	2,525	-	2,525	6,383
-	-	-	-	-	-	6,575	-	6,575	6,575
-	77	-	-	77	334	-	(255)	(255)	156
-	385	-	-	385	2,596	21,755	-	21,755	24,736
-	846	-	-	846	5,877	7,125	-	7,125	13,848
-	-	-	-	-	-	5,563	-	5,563	5,563
-	-	-	-	-	1,744	-	(1,646)	(1,646)	98
-	-	-	12,479	12,479	1,261	-	(30,135)	(30,135)	(16,395)
-	-	-	-	-	-	252	-	252	252
-	923	-	-	923	1,585	-	(846)	(846)	1,662
-	-	-	660,233	660,233	-	-	(293,392)	(293,392)	366,841
-	308	-	-	308	-	23,975	-	23,975	24,283
-	77	-	-	77	607	1,853	-	1,853	2,537
-	616	-	-	616	1,307	1,209	-	1,209	3,132
-	2,693	-	-	2,693	1,292	-	(11,209)	(11,209)	(7,224)
-	308	-	-	308	30,222	-	(2,912)	(2,912)	27,618
550	1,462	-	-	2,012	1,491	-	(4,837)	(4,837)	(1,334)
-	-	-	-	-	-	3,885	-	3,885	3,885
-	1,924	-	1,816	3,740	8,465	-	(8,061)	(8,061)	4,144
-	8,661	-	10,210	18,871	45,937	-	(44,440)	(44,440)	20,368
-	4,190	-	5,800	9,990	16,692	-	(18,000)	(18,000)	8,682
550	6,157	-	-	6,707	4,822	-	(37,844)	(37,844)	(26,315)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2019**

	Assets						Total Assets
	Cash and Investments	Special Assessments Receivable		Accounts Receivable	Due From Other Funds	Due From Other Governments	
		Delinquent	Noncurrent				
Judicial Ditches							
#1 M & K & Rep F	(95,210)	30	15,751	184	277	3,493	(75,475)
#1 Lat A, M & K	804	-	-	-	-	-	804
#1 Lateral, M & K	54,179	-	10,282	-	-	-	64,461
#1 Lat B, M & K	2,226	-	-	-	-	82	2,308
#1 Lat A of Lat B, M & K	1,624	-	-	-	-	-	1,624
#1 Br 4 of Lat B, M & K	317	-	-	-	-	-	317
#1 Lat C, M & K	1,073	-	706	-	37	100	1,916
#1 Lat D, M & K	196	-	-	-	-	-	196
#1 Lat E, M & K	1,359	-	-	-	-	-	1,359
#1 Lat F of Br 2, M & K	(6,299)	-	7,748	-	680	510	2,639
#1 Lat G, M & K	1,258	-	-	-	-	-	1,258
#2 R & K	13,036	-	-	-	-	1,833	14,869
#2 Lat 3, R & K	1,221	-	-	-	-	203	1,424
#2 Lat 4, R & K	(5,763)	-	5,484	-	743	1,948	2,412
#2 Lat A of Lat 4, R & K	(1,025)	-	1,180	-	64	19	238
#2 Lat 5, R & K	3,994	-	-	-	-	-	3,994
#2 Lat 7, R & K	-	-	-	-	-	-	-
#2 Lat 8, R & K	1,581	-	-	-	-	-	1,581
#2 C & K	14,181	-	-	-	-	-	14,181
#2 St & K	2,053	-	375	-	17	23	2,468
#3 Lat B, K & C	1,852	-	1,624	-	67	133	3,676
#3 Lat A of Lat B, K & C	3,099	-	-	-	-	-	3,099
#3 Lat C, C & K	(6,755)	-	15,684	-	555	564	10,048
#3 Lat D, C & K	(1,065)	-	12,749	-	-	1,168	12,852
#3 Impr Br 5 & 6, C & K	3,707	28	738	-	27	3	4,503
#3 Impr Br 7 & 8, C & K	4,733	-	368	-	-	27	5,128
#3 Impr Br 9, C & K	1,583	-	-	-	-	-	1,583
#3 Impr Br 10, C & K	(1,023)	-	123	-	-	198	(702)
#3 Br 10 of Lat A, C & K	(4,392)	-	4,293	-	130	252	283
#3 St & K	(1,622)	-	6,336	-	-	5,588	10,302
#7 C K & R	(17,245)	292	13,865	98	1,659	20,821	19,490
#7 Lat A, C, K & R	(39,467)	47	47,559	-	4,803	13,981	26,923
#7 Lat B, C, K & R	(11,831)	-	3,262	-	582	237	(7,750)
#7 Lat E, C, K & R	1,941	1	4,411	9	145	704	7,211
#11 K & M R/B	(14,944)	-	18,350	-	1,536	6,675	11,617
#16 R & K	1,030	658	1,672	-	99	3,617	7,076
#17 M & K	12,241	134	-	-	-	3,081	15,456
#17 Br 4 of Lat A, M & K	461	-	-	-	-	-	461
#17 Br 4 of Lat B, M & K	6,000	-	-	-	-	-	6,000
#18 Sw K & C R/B	14,889	17	2,129	14	60	5,291	22,400
#18 M & K	1,439	-	-	-	-	680	2,119
#18 Lat A, M & K	1,328	-	312	-	6	100	1,746
#18 Lat C, M & K	19,003	-	-	-	-	-	19,003
#19 Sw & K	672	-	163	-	-	181	1,016
#21 R C & K	124	-	-	-	-	-	124
#21 Sw K & C	15,940	-	-	-	-	1,299	17,239
#29 Rep B, R, M & K	(525)	-	5	-	-	491	(29)
#51 K & R R/B	-	-	42,014	-	242	468	42,724
#52 KM	1,549	-	-	-	-	-	1,549
Rinke Noonan Attorney	-	-	-	-	-	-	-
Total	\$ 308,348	\$ 13,232	\$ 1,252,954	\$ 1,008	\$ 34,185	\$ 92,124	\$ 1,701,851

EXHIBIT D-1
(Continued)

Accounts Payable	Liabilities				Deferred Inflows of Resources Unavailable Revenue	Fund Balances			Total Liabilities, Deferred Inflows of Resources, and Fund Balances
	Due to Other Funds	Due to Other Governments	Advance From Other Funds	Total Liabilities		Restricted for Ditch Maintenance and Repairs	Unassigned	Total Fund Balances	
1,957	17,777	13,631	79,333	112,698	19,542	-	(207,715)	(207,715)	(75,475)
-	231	-	-	231	-	573	-	573	804
-	1,847	-	-	1,847	10,282	52,332	-	52,332	64,461
-	231	67	-	298	82	1,928	-	1,928	2,308
-	385	-	-	385	-	1,239	-	1,239	1,624
-	77	-	-	77	-	240	-	240	317
1,650	231	-	-	1,881	843	-	(808)	(808)	1,916
-	154	-	-	154	-	42	-	42	196
-	308	-	-	308	-	1,051	-	1,051	1,359
-	1,616	-	-	1,616	8,938	-	(7,915)	(7,915)	2,639
-	154	-	-	154	-	1,104	-	1,104	1,258
-	1,154	5,196	-	6,350	1,833	6,686	-	6,686	14,869
-	-	-	-	-	-	203	-	1,221	1,424
-	539	-	-	539	8,175	-	(6,302)	(6,302)	2,412
-	154	-	-	154	1,263	-	(1,179)	(1,179)	238
-	-	-	-	-	-	3,994	-	3,994	3,994
-	-	-	83	83	-	-	(83)	(83)	-
-	-	-	-	-	-	1,581	-	1,581	1,581
-	77	-	-	77	-	14,104	-	14,104	14,181
-	154	-	-	154	415	1,899	-	1,899	2,468
-	77	-	-	77	1,824	1,775	-	1,775	3,676
-	385	-	-	385	-	2,714	-	2,714	3,099
4,558	616	-	-	5,174	16,803	-	(11,929)	(11,929)	10,048
8,347	2,078	-	-	10,425	13,917	-	(11,490)	(11,490)	12,852
-	693	-	-	693	796	3,014	-	3,014	4,503
-	-	-	-	-	395	4,733	-	4,733	5,128
-	-	-	-	-	-	1,583	-	1,583	1,583
-	-	-	133	133	321	-	(1,156)	(1,156)	(702)
-	-	-	-	-	4,675	-	(4,392)	(4,392)	283
3,500	462	-	-	3,962	11,924	-	(5,584)	(5,584)	10,302
-	462	13,587	-	14,049	36,577	-	(31,136)	(31,136)	19,490
12,532	2,770	-	-	15,302	66,345	-	(54,724)	(54,724)	26,923
-	-	-	-	-	4,081	-	(11,831)	(11,831)	(7,750)
-	77	-	-	77	5,261	1,873	-	1,873	7,211
12,185	539	193	1,897	14,814	26,561	-	(29,758)	(29,758)	11,617
-	846	10,834	-	11,680	5,388	-	(9,992)	(9,992)	7,076
-	154	789	-	943	3,081	11,432	-	11,432	15,456
-	-	-	-	-	-	461	-	461	461
-	-	-	-	-	-	6,000	-	6,000	6,000
-	1,231	-	-	1,231	7,497	13,672	-	13,672	22,400
-	-	192	-	192	680	1,247	-	1,247	2,119
-	-	639	-	639	418	689	-	689	1,746
-	-	5,783	-	5,783	-	13,220	-	13,220	19,003
-	77	-	-	77	344	595	-	595	1,016
-	77	16	-	93	-	31	-	31	124
-	231	-	-	231	1,299	15,709	-	15,709	17,239
-	-	67	277	344	496	-	(869)	(869)	(29)
-	6,080	-	-	6,080	42,724	-	(6,080)	(6,080)	42,724
-	1,924	724	1,549	4,197	-	-	(2,648)	(2,648)	1,549
200	-	-	-	200	-	-	(200)	(200)	-
\$ 53,236	\$ 107,532	\$ 51,718	\$ 840,000	\$ 1,052,486	\$ 1,386,346	\$ 335,982	\$ (1,072,963)	\$ (736,981)	\$ 1,701,851

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Total Primary Government	Housing and Redevelopment Authority Component Unit
Appropriations and Shared Revenue		
State		
Highway users tax	\$ 7,413,796	\$ -
County program aid	1,973,446	-
PERA rate reimbursement	73,608	-
Disparity reduction aid	20,375	-
Police aid	287,762	-
PERA state aid	71,642	-
Enhanced 911	122,728	-
SCORE	121,815	-
Local performance aid	6,009	-
Aquatic invasive species aid	248,540	-
Riparian protection aid	122,818	-
Market value credit	385,922	-
Out-of-home placement aid	4,663	-
	\$ 10,853,124	\$ -
Total appropriations and shared revenue		
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 3,015,565	\$ -
Minnesota Department of Transportation	2,166	-
	\$ 3,017,731	\$ -
Total reimbursement for services		
Payments		
Local		
Payments in lieu of taxes	\$ 392,588	\$ -
Local	107,627	-
	\$ 500,215	\$ -
Total payments		
Grants		
State		
Minnesota Department/Board of		
Agriculture	\$ 2,138	\$ -
Public Safety	179,459	-
Health	274,118	-
Natural Resources	404,613	-
Human Services	3,431,485	-
Veterans Affairs	10,000	-
Corrections	819,435	-
Water and Soil Resources	25,353	-
Transportation	1,830,702	-
Peace Officer Standards and Training Board	31,814	-
Pollution Control Agency	96,708	-
	\$ 7,105,825	\$ -
Total state		

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Total Primary Government</u>	<u>Housing and Redevelopment Authority Component Unit</u>
Grants (Continued)		
Federal		
Department of		
Agriculture	\$ 905,485	\$ -
Housing and Urban Development	-	2,087,780
Justice	147,233	-
Transportation	900,107	-
Education	3,320	-
Health and Human Services	5,420,555	-
Homeland Security	26,156	-
	<hr/>	<hr/>
Total federal	\$ 7,402,856	\$ 2,087,780
	<hr/>	<hr/>
Total state and federal grants	\$ 14,508,681	\$ 2,087,780
	<hr/>	<hr/>
Total Intergovernmental Revenue	\$ 28,879,751	\$ 2,087,780
	<hr/> <hr/>	<hr/> <hr/>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Direct				
Conservation Reserve Program	10.069		\$ 6,227	\$ -
Passed Through Kandiyohi-Renville Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not provided	456,900	-
Passed Through Minnesota Department of Human Services SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN10IS2514	311,349	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$352,185)	10.561	192MN127Q7503	<u>40,836</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>\$ 815,312</u>	<u>\$ -</u>
U.S. Department of Justice				
Direct				
State Criminal Alien Assistance Program	16.606		\$ 33,160	\$ -
Bulletproof Vest Partnership Program	16.607		3,111	-
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-STIT-2018- KANDICO-00004	78,420	-
Violence Against Women Formula Grants	16.588	A-VAWA-2019- KANDICO-00012	<u>32,542</u>	<u>-</u>
Total U.S. Department of Justice			<u>\$ 147,233</u>	<u>\$ -</u>
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	00034	\$ 811,820	\$ -
Passed Through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC19- 2019-KANDISO-035	8,683	1,330
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$33,881)	20.600	A-SAFE19- 2019-KANDISO-035	25,198	-
National Priority Safety Programs	20.616	A-ENFRC19- 2019-KANDISO-035	17,201	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC19- 2019-KANDISO-035	<u>37,205</u>	<u>-</u>
Total U.S. Department of Transportation			<u>\$ 900,107</u>	<u>\$ 1,330</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Education				
Passed Through Kandiyohi-Renville Community Health Board Special Education – Grants for Infants and Families	84.181	Not provided	\$ 3,320	\$ -
U.S. Department of Health and Human Services				
Direct				
Drug-Free Communities Support Program Grants	93.276		\$ 149,214	\$ -
CARA Act Comprehensive Addiction and Recovery Act of 2016	93.799		57,182	-
Passed Through Kandiyohi-Renville Community Health Board				
Public Health Emergency Preparedness	93.069	Not provided	55,349	-
Environmental Public Health Emergency Response	93.070	Not provided	5,000	-
Early Hearing Detection and Intervention	93.251	Not provided	525	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	Not provided	300	-
Pregnancy Assistance Fund Program	93.500	Not provided	231,309	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	Not provided	2,925	-
TANF Cluster				
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$665,983)	93.558	Not provided	61,574	-
Maternal and Child Health Services Block Grant to the States	93.994	Not provided	68,858	-
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families TANF Cluster	93.556	G-1801MNFPS	6,394	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$665,983)	93.558	1901MNTANF	604,409	-
Child Support Enforcement	93.563	1901MNCSES	160,656	-
Child Support Enforcement (Total Child Support Enforcement 93.563 \$814,396)	93.563	1901MNCES	653,740	-
Refugee and Entrant Assistance – State Administered Programs	93.566	1901MNRCA	349	-
Community-Based Child Abuse Prevention Grants CCDF Cluster	93.590	G-1801MNBCAP	6,510	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1901MNCCDF	11,867	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	5,091	-
Foster Care – Title IV-E	93.658	1901MNFOS	442,629	-
Social Services Block Grant	93.667	G-1901MNSOSR	303,016	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1901MNCILP	11,300	-
Children's Health Insurance Program	93.767	1905MN5021	250	-
Medicaid Cluster				
Medical Assistance Program	93.778	1905MN5ADM	2,399,808	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$2,422,211)	93.778	1905MN5MAP	22,403	-
Total U.S. Department of Health and Human Services			\$ 5,260,658	\$ -

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*EXHIBIT D-3
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	KANDIYOHI FBP-100919	\$ 26,156	\$ -
Total Federal Awards			\$ 7,152,786	\$ 1,330
Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 352,185	
Total expenditures for Highway Planning and Construction Cluster			811,820	
Total expenditures for Highway Safety Cluster			51,082	
Total expenditures for TANF Cluster			665,983	
Total expenditures for CCDF Cluster			11,867	
Total expenditures for Medicaid Cluster			2,422,211	

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Kandiyohi County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include \$2,087,780 in federal awards expended by the Kandiyohi County Housing and Redevelopment Authority discretely presented component unit, which had a separate single audit performed by other auditors.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Kandiyohi County under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Kandiyohi County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Kandiyohi County.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

Kandiyohi County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 7,402,856
Grants received more than 60 days after year-end, considered unavailable revenue in 2019	
Promoting Safe and Stable Families	109
Stephanie Tubbs Jones Child Welfare Services Program	326
Foster Care – Title IV-E	105,582
John H. Chafee Foster Care Program for Successful Transition to Adulthood	6,800
Unavailable revenue in 2018, recognized as revenue in 2019	
Special Supplemental Nutrition Program for Women, Infants, and Children	(90,173)
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	(1,800)
Pregnancy Assistance Fund Program	(40,158)
Promoting Safe and Stable Families	(2,169)
Temporary Assistance for Needy Families	(215,492)
Community-Based Child Abuse Prevention Grants	(4,230)
Stephanie Tubbs Jones Child Welfare Services Program	(2,065)
John H. Chafee Foster Care Program for Successful Transition to Adulthood	(6,800)
	<hr/>
Expenditures per Schedule of Expenditures of Federal Awards	\$ <u>7,152,786</u>

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JULIE BLAHA
STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Kandiyohi County
Willmar, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type 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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 11, 2020. Our report includes a reference to other auditors who audited the financial statements of the Kandiyohi County Housing and Redevelopment Authority (HRA) for the year ended June 30, 2019, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Kandiyohi County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the Schedule of Findings and Questioned Costs as item 2019-005. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Kandiyohi County's Response to Findings

Kandiyohi County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 11, 2020

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

Independent Auditor's Report

Board of County Commissioners
Kandiyohi County
Willmar, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Kandiyohi County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2019. Kandiyohi County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Kandiyohi County's basic financial statements include the operations of the Kandiyohi County Housing and Redevelopment Authority (HRA) component unit, which expended \$2,087,780 in federal awards during the year ended June 30, 2019, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of Kandiyohi County HRA because other auditors were engaged to perform a single audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kandiyohi County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the

audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kandiyohi County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)

As described in the accompanying Schedule of Findings and Questioned Costs, Kandiyohi County did not comply with requirements regarding CFDA No. 93.778 Medical Assistance Program, as described in finding number 2019-004 for Identification of Federal Awards. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Kandiyohi County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended December 31, 2019.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Kandiyohi County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed an other instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-003. Our opinion on each major federal program is not modified with respect to this matter.

Kandiyohi County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Kandiyohi County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-004, that we consider to be a material weakness, and deficiency 2019-003 that we consider to be a significant deficiency.

Kandiyohi County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

September 11, 2020

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major federal programs: **Unmodified, for all major programs, except for the Medicaid Cluster, which is qualified.**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

Child Support Enforcement	CFDA No. 93.563
Medicaid Cluster	
Medical Assistance Program	CFDA No. 93.778

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

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

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: 1996-008

Repeat Finding Since: 1996

Segregation of Duties

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

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

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

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

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

View of Responsible Official: Acknowledged

Finding Number: 2019-002

Prior Year Finding Number: 2017-001

Repeat Finding Since: 2017

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a significant deficiency as a deficiency, or combination of deficiencies, in internal control over financial reporting that is less than a material weakness, yet important enough to merit the attention of those charged with governance.

Condition: Audit adjustments and reclassifications were prepared which resulted in significant changes to Kandiyohi County's financial statements. These audit adjustments and reclassifications were reviewed and approved by the appropriate staff and are reflected in the financial statements.

Context: Audit adjustments and reclassifications were necessary in the various funds of the County.

Effect: The inability to detect significant misclassifications and make all necessary adjustments to the financial statements increases the likelihood that the financial statements would not be fairly presented. These adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

Cause: The County classifies transactions primarily for their budgetary control process.

Recommendation: We recommend the County review the use of the general ledger such that amounts recorded provide classification for both budgetary control and for financial statement reporting.

View of Responsible Official: Acknowledged

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2019-003

Prior Year Finding Number: 2018-001

Repeat Finding Since: 2018

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1905MN5ADM, 2019

Pass-Through Agency: Minnesota Department of Human Services (DHS)

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. In the case files tested for compliance with Medical Assistance Program eligibility requirements, not all documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in the sample of 40 cases tested:

- One case file did not have documentation of citizenship verification on file.
- Assets were not verified in six case files.
- Asset information was not input or updated in MAXIS in five case files.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Context: The State of Minnesota and the County split the eligibility determination process. The County Family Services Department performs the “intake function” needed (meeting with the social services client to determine income and categorical eligibility), while the state maintains the MAXIS system, which supports the eligibility determination and actually pays the benefits to the participants.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The lack of updated information in MAXIS and documented verification of key eligibility-determining factors increases the risk that a program participant will receive benefits when they are not eligible.

Cause: Program personnel entering case information into MAXIS did not ensure all required information was input or updated in MAXIS correctly or that all required information was obtained and/or retained.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input or updated in MAXIS and maintained in case files and that issues are followed up on in a timely manner.

View of Responsible Official: Concur

Finding Number: 2019-004

Prior Year Finding Number: 2018-004

Repeat Finding Since: 2018

Identification of Federal Awards

Programs: U.S. Department of Health and Human Services’ Medical Assistance Program (CFDA No. 93.778), Award Nos. 1905MN5ADM and 1905MN5MAP, 2019

Pass-Through Agency: Minnesota Department of Human Services

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.510(b) states that the auditee must prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with § 200.502, *Basis for determining federal awards expended*.

Condition: The County reviewed and approved audit adjustments and reclassifications totaling \$139,919 for the Medical Assistance Program.

Questioned Costs: Not applicable.

Context: After audit adjustments and reclassifications, expenditures for the Medical Assistance Program were \$2,422,211.

Effect: The inability to properly identify and track federal expenditures or to detect misstatements in the SEFA increases the likelihood that federal expenditures would not be fairly reported and that noncompliance with direct and material compliance requirements may occur.

Cause: The County did not properly identify federal expenditures of \$139,919 related to the Medical Assistance Program.

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve controls over identifying the program expenditures of federal awards for SEFA reporting.

View of Responsible Official: Concur

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2019-005

Prior Year Finding Number: 1996-003

Repeat Finding Since: 1996

Ditch Special Revenue Fund – Cash and Equity Balances

Criteria: As stated in Minn. Stat. § 385.04, in part, “. . . every warrant shall be paid only from the cash on hand in the fund from which it may be properly payable.” As allowed by Minn. Stat. § 103E.655, subd. 2, loans may be made from ditch systems with surplus funds or from the General Fund to a ditch with insufficient cash to pay expenditures. The loan must be repaid with interest. Also, through the levying of special assessments, Minn. Stat. § 103E.735, subd. 1, permits the accumulation of a fund balance for the repair costs of a ditch system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is greater.

Condition: Thirty-three of the 99 individual ditch systems had deficit cash balances totaling \$433,890 at December 31, 2019. This amount decreased from the prior year when 28 of the 99 individual ditch systems had deficit cash balances totaling \$793,540. Thirty-nine of the 99 individual ditch systems had deficit fund balances totaling \$1,072,963 at December 31, 2019. This amount decreased from the prior year when 31 of the 99 individual ditch systems had deficit fund balances totaling \$1,354,210.

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Cause: Ditch expenditures were necessary, ditch levies were not sufficient, and loans made between ditches or other County funds were insufficient.

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

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2018-002 Procurement, Suspension, and Debarment (CFDA No. 93.558 and CFDA No. 93.778)

2018-005 Contracting and Bidding Compliance

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Auditor/Treasurer's Office

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MARK THOMPSON
AUDITOR/TREASURER

REPRESENTATION OF KANDIYOHI COUNTY
WILLMAR, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Karen Anderson, Fiscal Manager

Corrective Action Planned:

Kandiyohi County is continuing to oversee procedures to ensure that the internal control policies and procedures are being followed

Anticipated Completion Date:

Immediately and ongoing

Finding Number: 2019-002
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Karen Anderson, Fiscal Manager

Corrective Action Planned:

The Auditors/Treasurer's Staff will monitor transactions to ensure they are going to the proper accounts. Staff will make adjustments if needed.

Anticipated Completion Date:

Immediately and ongoing

Finding Number: 2019-003

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA # 93.778)

Name of Contact Person Responsible for Corrective Action:

Deb Grunwald and Leah Young, Eligibility Supervisors

Corrective Action Planned:

Supervisory staff and Team Leads continue to train staff on how to correctly enter the information on the MAXIS Eligibility System. Training is also provided on what constitutes valid and correct documentation to verify information. Supervisory and Peer reviews are also being done on a consistent basis.

Anticipated Completion Date:

Immediately and ongoing

Finding Number: 2019-004

Finding Title: Identification of Federal Awards

Program: Medical Assistance Program (CFDA # 93.778)

Name of Contact Person Responsible for Corrective Action:

Karen Anderson, Fiscal Manager

Corrective Action Planned:

Kandiyohi County will review internal controls in place and identify of expenditures of federal awards for SEFA reporting

Anticipated Completion Date:

Immediately and ongoing

Finding Number: 2019-005

Finding Title: Ditch Special Revenue Fund – Cash and Equity Balances

Name of Contact Person Responsible for Corrective Action:

Karen Anderson, Fiscal Manager

Corrective Action Planned:

One year ditch liens will continue to be levied for ditch benefits. The Ditch Fund will be monitored and the Board can approve a transfer of funds if needed to keep the ditch balance as a whole, positive until levied money is received.

Anticipated Completion Date:

Immediately and ongoing

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MARK THOMPSON
AUDITOR/TREASURER

REPRESENTATION OF KANDIYOHI COUNTY
WILLMAR, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 1996-008
Finding Title: Segregation of Duties

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

Summary of Corrective Action Previously Reported: Kandiyohi County is continuing to oversee procedures to ensure that the internal control policy and procedures are being followed.

Status: Not Corrected. Kandiyohi County is continuing to oversee procedures to ensure that the internal control policy and procedures are being followed.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-001
Finding Title: Audit Adjustments

Summary of Condition: Audit adjustments and reclassifications were prepared which resulted in significant changes to Kandiyohi County's financial statements. These audit adjustments and reclassifications were reviewed and approved by the appropriate staff and are reflected in the financial statements.

Summary of Corrective Action Previously Reported: The Auditor/Treasurer's staff will monitor transactions to ensure they are going to the proper accounts. Staff will make adjustments if needed.

Status: Partially Corrected. Staff is continuing to monitor transactions to ensure they are going to the proper accounts and make adjustments if needed.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2018-001

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA #93.778)

Summary of Condition: In the case files tested for compliance with Medical Assistance Program eligibility requirements, not all documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in the sample of 40 cases tested:

- Seventeen case files had documented assets, such as bank accounts, that did not support the information entered into MAXIS.
- Two case files had income that could not be appropriately determined based on the support that was provided.
- One case file did not have a cost-effective health insurance determination on file when the client had additional insurance.
- One case file did not have a signed application on file.
- One case file was approved for benefits using the incorrect application form.
- One case file had an incomplete application on file.
- Two cases had an authorized representative or power of attorney sign the application for benefits; however, there was no support in the case file to support the individual authorized signer.

It was also noted that reviews of Medical Assistance Program case files are not performed on a formal basis.

Summary of Corrective Action Previously Reported: Supervisors will continue to audit one case per worker per month, and review findings with each individual worker. Review of program requirements will be provided to workers found not to have correctly verified or entered asset information. In addition, the Eligibility workers will participate in peer review of unit cases, to increase the number of cases audited and elevate awareness of the need to verify assets and correctly enter information into the MAXIS system.

Status: Partially Corrected. Case file issues continue to be noted. Supervisory staff and Team Leads continue to train staff on how to correctly enter the information on the MAXIS Eligibility System. Training is also provided on what constitutes valid and correct documentation to verify information. Supervisory and Peer reviews are also being done on a consistent basis.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2018-002

Finding Title: Procurement, Suspension, and Debarment

Programs: Temporary Assistance for Needy Families (CFDA #93.558) and Medical Assistance Program (CFDA #93.778)

Summary of Condition: The following exceptions were noted in the samples tested for Temporary Assistance for Needy Families (TANF) and the Medical Assistance Program (MA):

- Neither of the two contracts exceeding the simplified acquisition threshold had sufficient documentation to detail the history of the procurement, that there was full and open competition, or that a cost/price analysis was performed. The contracts also did not include a contract clause for suspension and debarment, nor were verification procedures performed to determine that the vendors were not suspended or debarred. One contract tested affected both federal programs, and one contract affected only MA.
- One small purchase contract for TANF did not have sufficient documentation to detail the history of the procurement, nor that there was full and open competition. The contract also did not include a contract clause for suspension and debarment, nor were verification procedures performed to determine that the vendor was not suspended or debarred.

Summary of Corrective Action Previously Reported: Kandiyohi County recognizes the importance of following the Uniform Guidance requirements to remain in compliance with federal programs. Kandiyohi County will update the procurement policies and procedures to be in compliance with the Uniform Guidance requirements.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2018-003

Finding Title: Eligibility

Program: Temporary Assistance for Needy Families (CFDA #93.558)

Summary of Condition: In the case files tested for compliance with Temporary Assistance for Needy Families eligibility requirements, not all documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in the sample of 40 cases tested:

- One case file did not have an appropriate income verification on file, and the information provided did not match what was in MAXIS.
- One case file did not have a Disqualification statement signed on file to indicate whether or not they, or any other member of their household, have been convicted of a felony or attempt to commit a felony, or are violating conditions of their probation.
- One case file did not have a supported citizenship verification on file.

Summary of Corrective Action Previously Reported: Supervisors will continue to audit one case per worker per month, and review findings with each individual worker. Review of program requirements will be provided to workers found not to have correctly verified or entered asset information. In addition, the Eligibility Workers will participate in peer review of unit cases, to increase the number of cases audited and elevate awareness of the need to verify assets and correctly enter information into the MAXIS system.

Status: Partially Corrected. Case file issues continue to be noted. Supervisory staff and Team Leads continue to train staff on how to correctly enter the information on the MAXIS Eligibility System. Training is also provided on what constitutes valid and correct documentation to verify information. Supervisory and Peer reviews are also being done on a consistent basis.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2018-004

Finding Title: Identification of Federal Awards

Program: Medical Assistance Program (CFDA #93.778)

Summary of Condition: The County reviewed and approved audit adjustments and reclassifications totaling \$114,121 for the Medical Assistance Program.

Summary of Corrective Action Previously Reported: Kandiyohi County will review internal controls in place and the identifying of expenditures of federal awards for SEFA reporting.

Status: Partially Corrected. The County is continuing to review internal controls and identifying federal awards expenditures for SEFA reporting.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 1996-003

Finding Title: Ditch Special Revenue Fund – Cash and Equity Balances

Summary of Condition: Twenty-eight of the 99 individual ditch systems had deficit cash balances totaling \$793,540 at December 31, 2018.

Summary of Corrective Action Previously Reported: One-year ditch liens will continue to be levied for ditch benefits. Additionally, the Ditch Fund will be monitored and the Board can approve a transfer of funds if needed to keep the ditch balance as a whole positive until levied money is received.

Status: Not Corrected. The Ditch Fund is continuing to be monitored and ditch liens are continuing to be levied for ditch benefits.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2018-005

Finding Title: Contracting and Bidding Compliance

Summary of Condition: During testing of compliance with the State of Minnesota contracting and bidding laws, noncompliance with the following requirements was noted:

- For two of the seven contracts tested that included the employment of individuals for wages by the contractor and where final payment had been made, the final payment was issued prior to receiving a Minnesota Department of Revenue approved Form IC-134, which requires the reporting of employee withholdings, from the contractor.
- For one of five contracts over \$100,000 tested, the County could not provide evidence showing it received a performance bond or a payment bond. The contract totaled \$157,045.

Summary of Corrective Action Previously Reported: We will update our procedures manual to include contracting requirements so the County departments that oversee the contracting process for their own projects will be aware of the statutory requirements to ensure compliance with applicable statutes for all future contracts.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X