

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

YEAR ENDED DECEMBER 31, 2004

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - 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 Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the State Auditor's web site: www.auditor.state.mn.us.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Year Ended December 31, 2004



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

This page was left blank intentionally.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	13
Statement of Activities	Exhibit 2	14
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	16
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets-- Governmental Activities	Exhibit 4	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	25
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 7	26
Statement of Changes in Fiduciary Net Assets - County Cemetery Investment Trust Fund	Exhibit 8	27
Notes to the Financial Statements		28
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	66
Road and Bridge Special Revenue Fund	Schedule 2	68
Human Services Special Revenue Fund	Schedule 3	69
Sanitary Landfill/Recycling Center Special Revenue Fund	Schedule 4	70
Notes to the Required Supplementary Information		71

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
Financial Section (Continued)		
Supplementary Information		
Combining and Individual Fund Financial Statements		
Nonmajor Governmental Funds		
Combining Balance Sheet	Statement 1	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement 2	75
Combining Balance Sheet - Special Revenue Funds	Statement 3	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds	Statement 4	78
Budgetary Comparison Schedules		
Capital Equipment Special Revenue Fund	Schedule 5	80
County Building Special Revenue Fund	Schedule 6	81
Green Lake Sewer Special Revenue Fund	Schedule 7	82
County Library Special Revenue Fund	Schedule 8	83
Health and Human Services Building Special Revenue Fund	Schedule 9	84
Agency Funds		85
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	Statement 5	87
Other Schedules		
Tax Capacity, Tax Rates, Levies, and Percentage of Collections	Schedule 10	92
Schedule of Deposits and Investments	Schedule 11	94
Ditch Balance Sheet - Ditch Special Revenue Fund	Schedule 12	97
Schedule of Intergovernmental Revenue	Schedule 13	103
Management and Compliance Section		
Schedule of Findings and Questioned Costs	Schedule 14	105
Other Required Reports		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		114
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		117
Schedule of Expenditures of Federal Awards	Schedule 15	120

This page was left blank intentionally.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

ORGANIZATION
2004

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	Richard Falk**	January 1999	January 2007
2nd District	Richard Larson	January 1997	January 2005
3rd District	Dean Shuck	January 2003	January 2007
4th District	Dennis Peterson*	January 1993	January 2005
5th District	Harlan Madsen	January 1995	January 2007
Officers			
Elected			
Attorney	Boyd Beccue	January 1995	January 2007
Auditor/Treasurer	Sam Modderman	January 1995	January 2007
Recorder	Julie Kalkbrenner	January 1995	January 2007
Registrar of Titles	Julie Kalkbrenner	January 1995	January 2007
Sheriff	Dan Hartog	January 2003	January 2007
Surveyor	Duane Bonnema	January 2003	January 2007
Appointed			
Administrator	Wayne Thompson		Indefinite
Assessor	David Oelslager	January 1997	December 2004
Court Administrator	Theresa Fredrickson		Indefinite
Examiner of Titles	Dean Anderson		Indefinite
Public Works Director	Gary Danielson	May 1994	May 2007
Veterans Service Officer	Steve Peterson		Indefinite
Human Services Director	Larry Kleindl		Indefinite
Medical Examiner	Lyle Munneke		Indefinite
Community Corrections Director	Debra West		Indefinite

*Chair

**Vice Chair

This page was left blank intentionally.

This page was left blank intentionally.



STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Kandiyohi County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County, Minnesota, as of and for the year ended December 31, 2004, which collectively comprise Kandiyohi County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kandiyohi County's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements include the Kandiyohi County Housing and Redevelopment Authority's (HRA) activities as of and for the year ended June 30, 2004. We did not audit the financial statements of the Kandiyohi County HRA, which is the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Kandiyohi County HRA, is based solely upon the report of other auditors.

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

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

aggregate remaining fund information of Kandiyohi County as of December 31, 2004, including the Kandiyohi County HRA as of June 30, 2004, and the respective changes in financial position, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, Kandiyohi County changed its reporting entity. Due to an organizational restructuring, the Kandiyohi County Rural Development Finance Authority is no longer a discretely presented component unit of Kandiyohi County.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2005, on our consideration of Kandiyohi County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the Kandiyohi County HRA, which was audited by other auditors.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 29, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

(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, 2004. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements (beginning with Exhibit 1).

FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are \$91,921,968, of which \$35,569,608 is invested in capital assets, net of related debt, and \$7,380,583 is restricted to specific purposes.
- Kandiyohi County's net assets increased by \$3,430,696 for the year ended December 31, 2004. The net assets of the County's discretely presented component unit increased by \$9,349.
- The net cost of governmental activities was \$20,812,706 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$24,243,402.
- Governmental funds' fund balances increased by \$8,234,583.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Fund Financial Statements

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

- Governmental funds--The County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called

modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

- Fiduciary funds--The County is the trustee, or fiduciary, over assets which can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on Exhibits 7 and 8. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were \$91,921,968 on December 31, 2004. (See Table A-1.)

Table A-1
The County's Net Assets

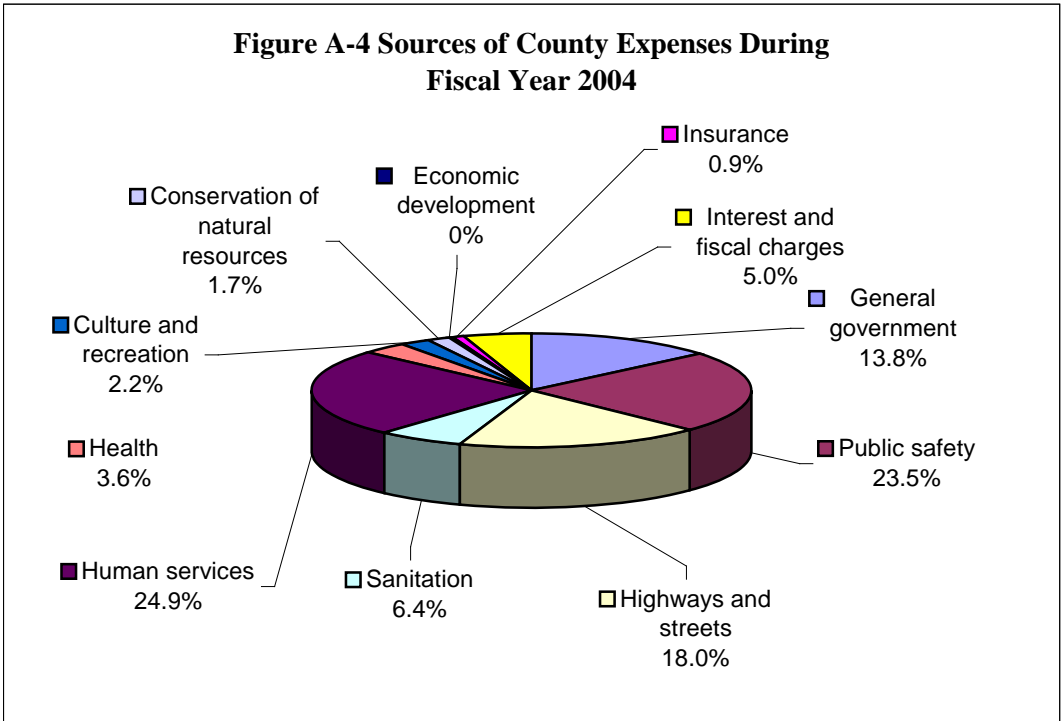
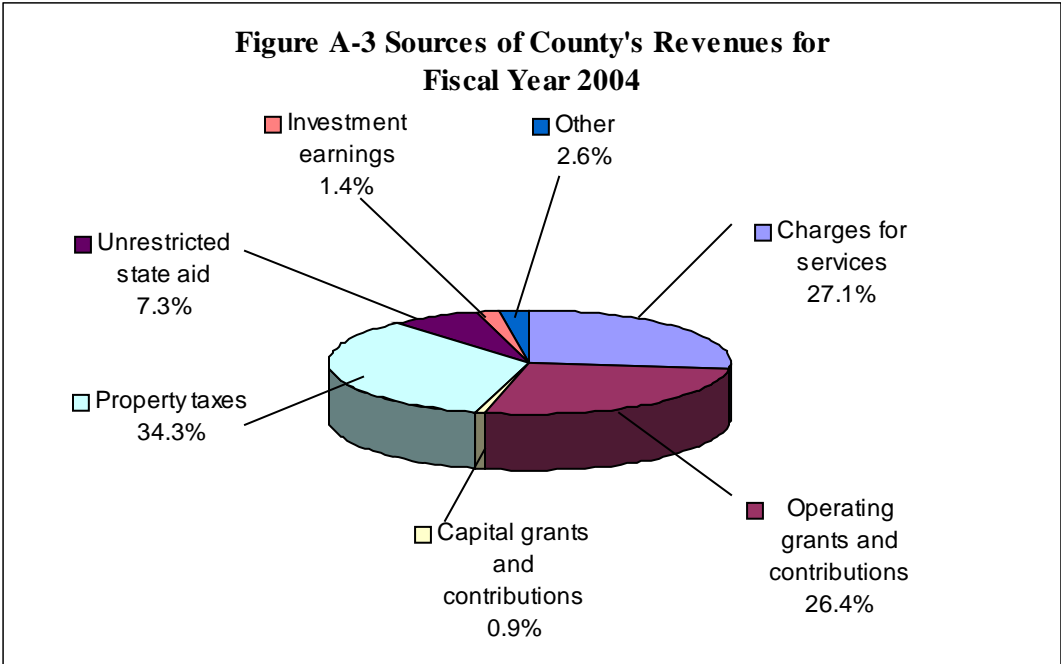
	Governmental Activities		Percent (%) Change
	2004	2003	
Current and other assets	\$ 67,618,716	\$ 60,379,301	12.0
Capital assets	102,896,437	103,866,042	(0.9)
Total Assets	\$ 170,515,153	\$ 164,245,343	3.8
Current liabilities	\$ 4,530,842	\$ 5,411,003	(16.3)
Long-term liabilities	74,062,343	70,343,068	5.3
Total Liabilities	\$ 78,593,185	\$ 75,754,071	3.8
Net Assets			
Invested in capital assets, net of related debt	\$ 35,569,608	\$ 39,244,863	(9.4)
Restricted assets	7,380,583	8,036,502	(8.2)
Unrestricted	48,971,777	41,209,907	18.8
Total Net Assets	\$ 91,921,968	\$ 88,491,272	3.9

Changes in Net Assets

The County-wide total revenues were \$53,171,186 for the year ended December 31, 2004. Property taxes and intergovernmental revenues accounted for 68.8 percent of total revenues for the year. (See Figures A-3 and A-4.)

Table A-2
Changes in Net Assets

	Governmental Activities for Fiscal		Total Percent (%) Change
	Year Ended December 31		
	2004	2003	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 14,435,247	\$ 24,047,550	(40.0)
Operating grants and contributions	14,008,057	15,739,684	(11.0)
Capital grants and contributions	484,480	730,893	(33.7)
General revenues			
Property taxes	18,215,493	17,238,533	5.7
Unrestricted state aid	3,884,486	3,963,246	(2.0)
Investment earnings	745,728	1,193,757	(37.5)
Other	1,397,695	1,840,064	(24.0)
Total Revenues	<u>\$ 53,171,186</u>	<u>\$ 64,753,727</u>	(17.9)
Expenses			
General government	\$ 6,858,315	\$ 6,700,551	2.4
Public safety	11,683,283	9,957,713	17.3
Highways and streets	8,932,080	9,321,372	(4.2)
Sanitation	3,187,382	2,474,609	28.8
Human services	12,380,242	12,828,734	(3.5)
Health	1,779,461	1,912,014	(6.9)
Culture and recreation	1,090,645	777,247	40.3
Conservation of natural resources	845,759	760,361	11.2
Economic development	18,765	18,805	0.2
Insurance	465,206	722,649	(35.6)
Interest and fiscal charges on long-term liabilities	2,499,352	2,811,824	(11.1)
Total Expenses	<u>\$ 49,740,490</u>	<u>\$ 48,285,879</u>	3.0
Increase in Net Assets	\$ 3,430,696	\$ 16,467,848	(79.2)
Beginning Net Assets	<u>88,491,272</u>	<u>72,023,424</u>	22.9
Ending Net Assets	<u>\$ 91,921,968</u>	<u>\$ 88,491,272</u>	3.9



Total revenues surpassed expenses, increasing net assets \$3,430,696 over last year.

The County-wide cost of all governmental activities this year was \$49,740,490.

- Some of the cost was paid by the users of the County's programs (\$14,435,247).
- The federal and state governments subsidized certain programs with grants and contributions (\$14,492,537).
- Some of the County's costs (\$20,812,706), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$18,215,493 in property taxes; \$3,884,486 of state aid; and investment earnings and other general revenues.

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

**Table A-5
Governmental Activities**

	Total Cost of Services		Percent (%) Change	Net Cost of Services		Percent (%) Change
	2004	2003		2004	2003	
General government	\$ 6,858,315	\$ 6,700,551	2.4	\$ 5,019,419	\$ 4,825,866	4.0
Public safety	11,683,283	9,957,713	17.3	6,667,959	5,680,960	17.4
Highways and streets	8,932,080	9,321,372	(4.2)	2,878,532	2,362,453	21.8
Sanitation	3,187,382	2,474,609	28.8	(2,644,426)	(13,517,553)	411.2
Human services	12,380,242	12,828,734	(3.5)	5,131,288	4,827,307	6.3
Health	1,779,461	1,912,014	(6.9)	(202,182)	(494,519)	144.6
Culture and recreation	1,090,645	777,247	40.3	765,469	522,948	46.4
Conservation of natural resources	845,759	760,361	11.2	213,324	7,012	2942.3
Economic development	18,765	18,805	0.2	18,765	18,805	0.2
Insurance	465,206	722,649	(35.6)	465,206	722,649	35.6
Interest and fiscal charges on long-term liabilities	2,499,352	2,811,824	(11.1)	2,499,352	2,811,824	11.1
Total	\$ 49,740,490	\$ 48,285,879	3.0	\$ 20,812,706	\$ 7,767,752	167.9

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 \$52,661,960.

Revenues for the County's governmental funds were \$53,099,800, while total expenditures were \$59,083,049. During 2004, the County also issued bonds and loans and sold capital assets, 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		Increase (Decrease)	Percent (%) Change
	2004	2003		
Taxes	\$ 8,440,484	\$ 7,637,196	\$ 803,288	10.5
Intergovernmental	4,315,711	4,839,467	(523,756)	(10.8)
Charges for services	5,235,391	4,381,980	853,411	19.5
Investment earnings	324,607	270,729	53,878	19.9
Miscellaneous and other	1,280,950	1,271,324	9,626	0.8
Total General Fund Revenues	<u>\$ 19,597,143</u>	<u>\$ 18,400,696</u>	<u>\$ 1,196,447</u>	6.5

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

**Table A-7
General Fund Expenditures**

	Year Ended December 31		Increase (Decrease)	Percent (%) Change
	2004	2003		
General government	\$ 5,583,632	\$ 4,783,351	\$ 800,281	16.7
Public safety	10,733,590	9,707,918	1,025,672	10.6
Health	1,771,314	1,928,705	(157,391)	(8.2)
Culture and recreation	448,761	330,725	118,036	35.7
Conservation of natural resources	467,659	493,116	(25,457)	5.2
Economic development	18,765	18,805	(40)	0.2
Insurance	465,206	722,649	(257,443)	(35.6)
Debt service	20,483	-	20,483	100.0
Total General Fund Expenditures	<u>\$ 19,509,410</u>	<u>\$ 17,985,269</u>	<u>\$ 1,524,141</u>	8.5

General Fund Budgetary Highlights

- Actual revenues were \$2,014,467 more than expected.
- Actual expenditures were \$1,329,023 more than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2004, the County had invested over \$121,254,000 in a broad range of capital assets, including 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 \$2,784,111.

Table A-8
County's Capital Assets

	2004	2003	Percent (%) Change
Land	\$ 3,966,106	\$ 4,410,606	(10.1)
Landfill	3,217,047	2,951,098	9.0
Infrastructure	66,760,276	65,978,137	1.2
Buildings	32,808,504	32,359,305	1.4
Machinery, vehicles, furniture, and equipment	10,304,511	9,640,178	6.9
Construction in progress	8,163,925	8,698,530	(6.1)
Less: accumulated depreciation	<u>(22,323,932)</u>	<u>(20,171,812)</u>	10.7
Total	<u>\$ 102,896,437</u>	<u>\$ 103,866,042</u>	(0.9)

Debt

At year-end, the County had outstanding debt of \$71,291,281 versus \$67,919,830 last year, an increase of 5.0 percent as shown in Table A-9.

Table A-9
County's Outstanding Debt

	2004	2003	Percent (%) Change
Installment purchase obligation	\$ 6,985,000	\$ 14,180,000	(50.7)
General obligation bonds	33,645,000	21,545,000	56.2
Special assessment bonds	8,315,000	8,835,000	(5.9)
General obligation capital notes	1,505,000	2,226,053	(32.4)
Deferred (discount) premiums	8,257	-	100.0
Loans payable	17,185,605	17,835,126	(3.6)
Paving assessments	10,010	11,916	(16.0)
Capital leases payable	59,037	114,956	(48.6)
Estimated liability for landfill closure/postclosure	<u>3,578,372</u>	<u>3,171,779</u>	12.8
Total Long-Term Liabilities	<u>\$ 71,291,281</u>	<u>\$ 67,919,830</u>	5.0

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the Legislature may decrease revenues again.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Administrator, Wayne Thompson, Health and Human Services Building, 2200 - 23rd Street N.E., Willmar, Minnesota 56201.

This page was left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page was left blank intentionally.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

	Primary Government Governmental Activities	Discretely Presented Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 45,717,550	\$ 190,576
Accrued interest receivable	134,594	-
Accounts receivable - net	201,855	9,425
Prepaid items	-	3,243
Taxes receivable		
Prior - net	360,456	110,995
Special assessments receivable - prior	83,172	-
Due from other governments	2,420,450	-
Inventories	367,568	-
Loans receivable	207,937	-
Leases receivable	19,000	-
Deferred charges	78,523	13,258
Restricted assets		
Cash and pooled investments	-	35,941
Cash with escrow agent	7,161,016	-
Advance to other governments	397,043	-
Special assessments receivable - noncurrent	10,469,552	-
Capital assets		
Non-depreciable	12,130,031	82,359
Depreciable - net of accumulated depreciation	90,766,406	1,228,341
Total Assets	\$ 170,515,153	\$ 1,674,138
<u>Liabilities</u>		
Accounts payable	\$ 1,002,440	\$ 9,903
Salaries payable	639,167	-
Accrued payroll taxes	-	26,131
Contracts payable	365,631	-
Retainage payable	28,836	-
Due to other governments	994,065	3,491
Accrued interest payable	1,118,723	-
Unearned revenue	381,980	56,555
Accounts payable from restricted assets	-	13,405
Long-term liabilities		
Due within one year	3,837,076	27,176
Due in more than one year	70,225,267	1,434,521
Total Liabilities	\$ 78,593,185	\$ 1,571,182
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 35,569,608	\$ -
Restricted for		
General government	32,413	-
Public safety	187,154	-
Debt service	7,161,016	-
Unrestricted	48,971,777	102,956
Total Net Assets	\$ 91,921,968	\$ 102,956

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 7,323,521	\$ 1,602,366
Public safety	11,683,283	3,591,876
Highways and streets	8,932,080	1,164,018
Sanitation	3,187,382	5,831,808
Human services	12,380,242	533,999
Health	1,779,461	945,899
Culture and recreation	1,090,645	305,246
Conservation of natural resources	845,759	460,035
Economic development	18,765	-
Interest and fiscal charges	2,499,352	-
	\$ 49,740,490	\$ 14,435,247
Total primary government	\$ 49,740,490	\$ 14,435,247
Component unit		
Kandiyohi County Housing and Redevelopment Authority	\$ 1,456,658	\$ 257,239

General Revenues

Property taxes, levied for general purposes
Property taxes, levied for debt service
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Gifts and contributions
Investment income
Miscellaneous
Rental income

Total general revenues

Change in net assets

Net Assets - January 1, as restated (Note 1.E.)

Net Assets - December 31

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Discretely Presented Component Unit
\$ 211,159	\$ 25,371	\$ (5,484,625)	
1,368,824	54,624	(6,667,959)	
4,485,045	404,485	(2,878,532)	
-	-	2,644,426	
6,714,955	-	(5,131,288)	
1,035,744	-	202,182	
19,930	-	(765,469)	
172,400	-	(213,324)	
-	-	(18,765)	
-	-	(2,499,352)	
\$ 14,008,057	\$ 484,480	\$ (20,812,706)	
\$ 1,206,597	\$ -		\$ 7,178
		\$ 16,966,972	\$ -
		1,248,521	-
		1,647	-
		3,884,486	-
		177,149	-
		745,728	2,171
		957,430	-
		261,469	-
		\$ 24,243,402	\$ 2,171
		\$ 3,430,696	\$ 9,349
		88,491,272	93,607
		\$ 91,921,968	\$ 102,956

This page was left blank intentionally.

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 5,523,093	\$ 5,077,050
Cash with escrow agent	-	-
Taxes receivable		
Prior	165,551	40,766
Special assessments receivable		
Prior	1,129	1,029
Noncurrent	377,255	33,797
Accounts receivable	8,050	-
Accrued interest receivable	32,200	15,232
Leases receivable	-	-
Loans receivable	207,937	-
Due from other funds	10,153	55,628
Due from other governments	508,834	885,232
Advance to other governments	397,043	-
Inventories	-	367,568
	\$ 7,231,245	\$ 6,476,302
Total Assets	\$ 7,231,245	\$ 6,476,302

EXHIBIT 3

Human Services	Sanitary Landfill/ Recycling Center	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 5,761,921	\$ 12,118,786	\$ 9,332,081	\$ 9,389,902	\$ 47,202,833
-	-	7,161,016	-	7,161,016
91,299	-	25,247	43,097	365,960
-	51,030	23,360	7,892	84,440
-	-	9,612,848	605,087	10,628,987
33,906	158,468	-	1,431	201,855
-	58,967	-	28,195	134,594
-	-	-	19,000	19,000
-	-	-	-	207,937
-	-	-	20,182	85,963
829,027	-	61,939	135,418	2,420,450
-	-	-	-	397,043
-	-	-	-	367,568
<u>\$ 6,716,153</u>	<u>\$ 12,387,251</u>	<u>\$ 26,216,491</u>	<u>\$ 10,250,204</u>	<u>\$ 69,277,646</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Cash overdraft	\$ -	\$ -
Accounts payable	391,697	212,571
Salaries payable	400,216	73,765
Contracts payable	-	264,789
Retainage payable	-	-
Due to other funds	131,051	17,174
Due to other governments	118,494	265,011
Deferred revenue - unavailable	499,920	858,662
Deferred revenue - unearned	299,903	-
	\$ 1,841,281	\$ 1,691,972
Fund Balances		
Reserved for		
Encumbrances	\$ -	\$ -
Inventories	-	367,568
Loans receivable	207,937	-
Advances to other governments	397,043	-
Recorder's equipment purchases	32,413	-
Sheriff's contingency	63,004	-
Debt service	-	-
Enhanced 911	124,150	-
Unreserved		
Designated for debt service	-	-
Designated for petty cash funds	1,540	-
Designated for unrealized gains on investments	16,267	-
Undesignated	4,547,610	4,416,762
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Capital projects funds	-	-
	\$ 5,389,964	\$ 4,784,330
Total Liabilities and Fund Balances	\$ 7,231,245	\$ 6,476,302

EXHIBIT 3
(Continued)

Human Services	Sanitary Landfill/ Recycling Center	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,485,283	\$ 1,485,283
247,780	56,966	-	93,426	1,002,440
137,239	11,707	-	16,240	639,167
-	-	-	100,842	365,631
-	-	-	28,836	28,836
7,941	41	-	16,812	173,019
182,137	9,451	101,594	230,322	907,009
67,837	41,991	9,648,389	515,522	11,632,321
-	46,861	-	35,216	381,980
\$ 642,934	\$ 167,017	\$ 9,749,983	\$ 2,522,499	\$ 16,615,686
\$ -	\$ -	\$ -	\$ 48,393	\$ 48,393
-	-	-	-	367,568
-	-	-	-	207,937
-	-	-	-	397,043
-	-	-	-	32,413
-	-	-	-	63,004
-	-	7,161,016	-	7,161,016
-	-	-	-	124,150
-	-	9,305,492	-	9,305,492
-	-	-	-	1,540
-	-	-	-	16,267
6,073,219	12,220,234	-	-	27,257,825
-	-	-	9,343,876	9,343,876
-	-	-	(1,664,564)	(1,664,564)
\$ 6,073,219	\$ 12,220,234	\$ 16,466,508	\$ 7,727,705	\$ 52,661,960
\$ 6,716,153	\$ 12,387,251	\$ 26,216,491	\$ 10,250,204	\$ 69,277,646

This page was left blank intentionally.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

Fund balances - total governmental funds (Exhibit 3)	\$	52,661,960
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		102,896,437
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		11,466,114
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Installment purchase obligations	\$ (6,985,000)	
General obligation bonds	(33,645,000)	
Discount and premium	(8,257)	
Deferred debt issuance costs	78,523	
Special assessment bonds	(8,315,000)	
General obligation capital notes	(1,505,000)	
Paving special assessments	(10,010)	
Capital leases	(59,037)	
Loans payable	(17,185,605)	
Landfill closure/postclosure liability	(3,578,372)	
Compensated absences	(2,771,062)	
Accrued interest payable	(1,118,723)	
	(75,102,543)	(75,102,543)
Net assets of governmental activities (Exhibit 1)	\$	<u>91,921,968</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Road and Bridge
Revenues		
Taxes	\$ 8,440,484	\$ 1,988,883
Special assessments	46,538	8,185
Licenses and permits	475,105	-
Intergovernmental	4,315,711	5,331,070
Charges for services	5,235,391	993,446
Fines and forfeits	-	-
Gifts and contributions	18,288	-
Investment earnings	324,607	78,873
Miscellaneous	741,019	13,044
	\$ 19,597,143	\$ 8,413,501
Expenditures		
Current		
General government	\$ 5,583,632	\$ -
Public safety	10,733,590	-
Highways and streets	-	7,701,666
Sanitation	-	-
Human services	-	-
Health	1,771,314	-
Culture and recreation	448,761	-
Conservation of natural resources	467,659	-
Economic development	18,765	-
Insurance	465,206	-
Intergovernmental		
Highways and streets	-	277,903
Sanitation	-	-
Culture and recreation	-	-
Capital outlay	-	-
Debt service		
Principal retirement	7,047	190,000
Interest	13,436	103,514
Bond issuance costs	-	-
Administrative (fiscal) charges	-	132
	\$ 19,509,410	\$ 8,273,215
Excess of Revenues Over (Under) Expenditures	\$ 87,733	\$ 140,286

EXHIBIT 5

Human Services	Sanitary Landfill/ Recycling Center	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 4,419,725	\$ -	\$ 1,249,443	\$ 2,138,736	\$ 18,237,271
-	848,115	1,025,950	565,013	2,493,801
-	1,365	-	-	476,470
8,123,508	94,981	268,158	527,408	18,660,836
533,999	2,384,956	803,448	684,675	10,635,915
-	-	-	15,047	15,047
-	-	-	500	18,788
-	27,208	157,702	84,231	672,621
-	1,660	224,895	908,433	1,889,051
\$ 13,077,232	\$ 3,358,285	\$ 3,729,596	\$ 4,924,043	\$ 53,099,800
\$ -	\$ -	\$ -	\$ 900,334	\$ 6,483,966
-	-	-	220,965	10,954,555
-	-	-	445,776	8,147,442
-	2,115,560	-	758,934	2,874,494
12,325,802	-	-	-	12,325,802
-	-	-	1,109	1,772,423
-	-	-	368,648	817,409
-	-	-	377,769	845,428
-	-	-	-	18,765
-	-	-	-	465,206
-	-	-	-	277,903
-	-	101,594	-	101,594
-	-	-	226,500	226,500
-	-	-	780,627	780,627
-	716,053	9,397,000	102,825	10,412,925
-	143,710	2,212,548	9,402	2,482,610
-	-	84,448	-	84,448
-	1,422	8,688	710	10,952
\$ 12,325,802	\$ 2,976,745	\$ 11,804,278	\$ 4,193,599	\$ 59,083,049
\$ 751,430	\$ 381,540	\$ (8,074,682)	\$ 730,444	\$ (5,983,249)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	(143,145)	-
Proceeds from sale of bonds	-	-
Proceeds from sale of refunding bonds	-	-
Loans issued	189,526	-
Proceeds from sale of capital assets	-	-
Premium on bond issuance	-	-
Discount on bond issuance	-	-
	\$ 46,381	\$ -
Net Changes in Fund Balances	\$ 134,114	\$ 140,286
Fund Balance - January 1	5,255,850	4,612,479
Increase (decrease) in reserved in inventories	-	31,565
	\$ 5,389,964	\$ 4,784,330
Fund Balance - December 31	\$ 5,389,964	\$ 4,784,330

EXHIBIT 5
(Continued)

Human Services	Sanitary Landfill/ Recycling Center	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 929,756	\$ 643,145	\$ 1,572,901
-	-	-	(1,429,756)	(1,572,901)
-	-	6,135,000	-	6,135,000
-	-	7,045,000	-	7,045,000
-	-	-	-	189,526
-	-	-	804,902	804,902
-	-	82,720	-	82,720
-	-	(70,881)	-	(70,881)
\$ -	\$ -	\$ 14,121,595	\$ 18,291	\$ 14,186,267
\$ 751,430	\$ 381,540	\$ 6,046,913	\$ 748,735	\$ 8,203,018
5,321,789	11,838,694	10,419,595	6,978,970	44,427,377
-	-	-	-	31,565
\$ 6,073,219	\$ 12,220,234	\$ 16,466,508	\$ 7,727,705	\$ 52,661,960

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 8,203,018

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

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.

Expenditures for general capital assets, infrastructure, and other related capital assets adjustment	\$ 2,357,939	
Current year depreciation	(2,784,111)	(426,172)

In the statement of activities, only the gain or loss on disposal of capital assets is reported, whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of. (543,433)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (190,083)

Bond and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The net proceeds for debt issuance are:

Debt issued		
General obligation bonds	\$ (13,180,000)	
Loans	(189,526)	
Debt issuance costs	78,523	
Premium	(82,720)	
Discount	70,881	
Current year amortization of premium	7,520	
Current year amortization of discount	(3,938)	(13,299,260)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments		
Installment purchase obligations	\$ 7,195,000	
General obligation bonds	1,080,000	
Special assessment bonds	520,000	
General obligation capital notes	721,053	
Paving special assessments	1,906	
Loans payable	839,047	
Capital leases	55,919	10,412,925

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	\$ (3,447)	
Change in compensated absences	(347,824)	
Change in inventories	31,565	
Change in landfill closure/postclosure liability	(406,593)	(726,299)

Change in net assets of governmental activities (Exhibit 2) \$ 3,430,696

FIDUCIARY FUNDS

This page was left blank intentionally.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004**

	County Cemetery Investment Trust	Agency
<u>Assets</u>		
Cash and cash equivalents	\$ 28,103	\$ 9,237,820
Receivables		
Taxes - delinquent	-	1,647
Accrued interest	291	679
Due from other funds	-	87,056
Due from other governments	-	1,261,243
	\$ 28,394	\$ 10,588,445
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 38,656
Salaries payable	-	46,652
Due to other governments	-	10,503,137
	\$ -	\$ 10,588,445
<u>Net Assets</u>		
Net assets, restricted for perpetual care - expendable	\$ 28,394	

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
COUNTY CEMETERY INVESTMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>Additions</u>	
Investment earnings	
Interest	\$ 502
<u>Deductions</u>	
Payments in accordance with trust agreements	-
Change in net assets	\$ 502
Net Assets - January 1	27,892
Net Assets - December 31	\$ 28,394

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Blended Component Unit

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

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

Discretely Presented Component Unit

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

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
The Kandiyohi County Housing and Redevelopment Authority (HRA) administers the public housing programs authorized by the United States Housing Act of 1937, as amended. The HRA also provides assistance grants to eligible families of the Section 8 programs.	The County appoints a voting majority of the HRA's Board of Directors and approves the HRA's budget.	Heartland Community Action Agency, Inc. 409 - 19th Avenue S.W. P. O. Box 1359 Willmar, Minnesota 56201

Joint Ventures

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those that are 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 that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

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

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

Additionally, the County reports the following fund types:

Fiduciary Funds

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements

Fiduciary Funds (Continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2004, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2004 were \$236,256.

Kandiyohi County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

- (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.

2. Receivables and Payables

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

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on 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.

3. Inventories

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Restricted Assets

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

5. Capital Assets

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

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

Property, plant, and equipment of the primary government, as well as the component units, is 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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Compensated Absences

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

7. Deferred Revenue

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

8. Long-Term Obligations

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Fund Equity

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

10. Use of Estimates

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

E. Change in Reporting Entity

Effective January 1, 2004, the Kandiyohi County Rural Development Finance Authority is no longer a discretely presented component unit of the County. Prior to 2004, the Authority's governing board was appointed by the County Commissioners. However, in 2004, the governing board comprises City of Willmar officials and County Commissioners, thus making it a jointly-governed organization.

The following is the effect of the change to beginning net assets in the discretely presented component unit column in the statement of activities:

Net Assets - January 1, 2004, as previously reported	\$ 390,905
Adjustment to beginning net assets to remove the Kandiyohi County Rural Development Finance Authority	<u>(297,298)</u>
Net Assets - January 1, 2004, as restated	<u>\$ 93,607</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Deficit Fund Equity

Eighteen of 109 drainage systems of the Ditch Special Revenue Fund have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the unreserved, undesignated fund balance as of December 31, 2004:

Account balances	\$ 659,473
Account deficits	<u>(291,139)</u>
Fund Balance	<u>\$ 368,334</u>

The Capital Projects Fund had a deficit fund balance of \$1,616,171 at December 31, 2004. The deficit is expected to be eliminated through future charges to users.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Governmental activities	
Cash and pooled investments	\$ 45,717,550
Cash with escrow agent	7,161,016
Fiduciary funds	
County Cemetery Investment Trust Fund	
Cash and pooled investments	28,103
Agency funds	
Cash and pooled investments	<u>9,237,820</u>
Total Cash and Investments	<u>\$ 62,144,489</u>

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Auditor/Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$20,142,614. The bank balance deposit amount was \$20,560,462. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Following is a summary of the deposits covered by insurance or collateral at December 31, 2004.

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 1,093,938
Collateralized with securities held by the pledging financial institution's agent in the County's name	<u>19,466,524</u>
Total covered deposits	\$ 20,560,462
Uncollateralized	<u>-</u>
Total	<u>\$ 20,560,462</u>

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Following is a summary of the fair values of the County's investments, categorized into the aforementioned levels of risk, at December 31, 2004:

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ -	\$ -	\$ 27,433,120	\$ 27,433,120
Repurchase agreements	-	-	10,760,450	10,760,450
Total Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,193,570</u>	<u>\$ 38,193,570</u>
Add				
Savings accounts				14,779,374
MAGIC Fund				3,653,056
Checking accounts				1,536,588
Certificates of deposit				3,826,652
Petty cash and change funds				2,415
Departmental cash				<u>152,834</u>
Total Cash and Investments				<u>\$ 62,144,489</u>

2. Receivables

Receivables as of December 31, 2004, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Funds		
Receivables		
Taxes	\$ 365,960	\$ -
Special assessments	10,713,427	8,994,482
Accounts	201,855	-
Accrued interest	134,594	-
Leases	19,000	-
Loans	207,937	130,915
Due from other governments	2,420,450	-
Advance to other governments	397,043	397,043
Total gross receivables	<u>\$ 14,460,266</u>	<u>\$ 9,522,440</u>
Less: allowance for uncollectibles	<u>(166,207)</u>	
Total Net Receivables	<u>\$ 14,294,059</u>	

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,410,606	\$ -	\$ 444,500	\$ 3,966,106
Construction in progress	8,698,530	414,805	949,410	8,163,925
 Total capital assets not depreciated	 \$ 13,109,136	 \$ 414,805	 \$ 1,393,910	 \$ 12,130,031
Capital assets depreciated				
Landfill	\$ 2,951,098	\$ 265,949	\$ -	\$ 3,217,047
Buildings	32,359,305	449,199	-	32,808,504
Machinery, vehicles, furniture, and equipment	9,640,178	1,395,257	730,924	10,304,511
Infrastructure	65,978,137	782,139	-	66,760,276
 Total capital assets depreciated	 \$ 110,928,718	 \$ 2,892,544	 \$ 730,924	 \$ 113,090,338
Less: accumulated depreciation for				
Landfill	\$ 502,627	\$ 66,610	\$ -	\$ 569,237
Buildings	4,862,512	676,574	-	5,539,086
Machinery, vehicles, furniture, and equipment	6,523,937	729,455	631,991	6,621,401
Infrastructure	8,282,736	1,311,472	-	9,594,208
 Total accumulated depreciation	 \$ 20,171,812	 \$ 2,784,111	 \$ 631,991	 \$ 22,323,932
 Total capital assets depreciated, net	 \$ 90,756,906	 \$ 108,433	 \$ 98,933	 \$ 90,766,406
 Governmental Activities Capital Assets, Net	 \$ 103,866,042	 \$ 523,238	 \$ 1,492,843	 \$ 102,896,437

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	195,817
Public safety		537,839
Highways and streets, including depreciation of infrastructure assets		1,064,267
Sanitation		913,926
Human services		13,559
Health		7,038
Culture and recreation		51,334
Conservation of natural resources		331
		331
Total Depreciation Expense - Governmental Activities	\$	2,784,111

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2004, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 1,192
	Human Services	7,572
	Sanitary Landfill/Recycling Center	41
	Other governmental	1,348
		1,348
Total Due to General Fund		\$ 10,153
Road and Bridge	General	\$ 41,995
	Human Services	369
	Other governmental	13,264
		13,264
Total Due to Road and Bridge Fund		\$ 55,628
Other governmental	General	\$ 2,000
	Road and Bridge	15,982
	Other governmental	2,200
		2,200
Total Due to other governmental funds		\$ 20,182
Fiduciary Funds - Agency Funds	General	\$ 87,056
		87,056
Total Due To/From Other Funds		\$ 173,019

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers to Debt Service Fund from Other nonmajor governmental funds	\$ 929,756	Provide funds for debt service
Transfers to nonmajor governmental funds from		
General Fund	\$ 143,145	Provide funds for operations
Other nonmajor governmental funds	<u>500,000</u>	Provide funds for debt service
Total transfers to nonmajor governmental funds	<u>\$ 643,145</u>	
Total Interfund Transfers	<u>\$ 1,572,901</u>	

C. Liabilities

1. Payables

Payables at December 31, 2004, were as follows:

	Governmental Funds	Fiduciary Funds
Accounts	\$ 1,002,440	\$ 38,656
Salaries	639,167	46,652
Contracts	365,631	-
Retainage	28,836	-
Due to other governments	<u>907,009</u>	<u>10,503,137</u>
Total Payables	<u>\$ 2,943,083</u>	<u>\$ 10,588,445</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Construction Commitments

The County has active construction projects as of December 31, 2004. The projects include the following:

	Spent-to-Date	Remaining Commitment
Sanitary sewer and water mains	\$ 559,115	\$ 48,393

3. Other Postemployment Benefits

Retirees

The County provides postemployment health care benefits for certain retirees. The County contributes one year of single coverage paid health insurance for every three years of service, not to exceed \$390 per month per participant, until age 65. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of year-end, the County had 21 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2004, the County expended \$69,156 for these benefits.

4. Capital Lease

The County has entered into a lease agreement as a lessee for financing the purchase and installation of energy retrofit systems. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The capital lease consists of the following:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental Activities 1996 Energy Retrofit Systems	2005	Semi-annual	\$ 30,742	\$ 467,000	\$ 59,037

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Capital Lease (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2004, were as follows:

Year Ending December 31	Governmental Activities
2005	\$ 61,483
Less: amount representing interest	(2,446)
Present Value of Minimum Lease Payments	\$ 59,037

5. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
Installment Purchase Obligation					
1998 Refunding Certificates of Participation	2016	\$455,000 - \$735,000	4.20 - 4.80	\$ 6,985,000	\$ 6,985,000
General Obligation Bonds					
1998 G.O. Law Enforcement Facility Bonds	2020	\$95,000 - \$230,000	4.40 - 4.90	\$ 3,015,000	\$ 2,605,000
1999 G.O. Law Enforcement Facility Bonds	2020	\$210,000 - \$485,000	4.25 - 4.60	6,500,000	5,610,000
1999 G.O. State-Aid Highway Bonds	2014	\$125,000 - \$290,000	4.10 - 4.13	3,250,000	2,415,000
2000 G.O. Law Enforcement Facility Bonds	2021	\$245,000 - \$1,370,000	5.00 - 5.80	8,820,000	8,045,000
2000 G.O. Solid Waste Refunding Bonds	2011	\$225,000 - \$290,000	4.30 - 4.70	2,560,000	1,790,000
2004 Taxable G.O. Tax Abatement Bonds	2022	\$270,000 - \$540,000	3.125 - 5.30	6,135,000	6,135,000
2004 G.O. Law Enforcement Facility Refunding Bonds	2021	\$385,000 - \$1,340,000	3.375 - 4.15	7,045,000	7,045,000
Total General Obligation Bonds				\$ 37,325,000	\$ 33,645,000

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
Special Assessment Bonds with Government Commitment					
2001A G.O. Solid Waste Revenue Bonds	2007	\$380,000 - \$480,000	3.50	\$ 2,200,000	\$ 1,390,000
2001B G.O. Sewer and Water Revenue Bonds	2022	\$30,000 - \$495,000	2.65 - 4.85	6,000,000	5,940,000
2002A Green Lake Sewer and Water Revenue Bonds	2023	\$15,000 - \$80,000	3.50 - 4.85	<u>1,000,000</u>	<u>985,000</u>
Total Special Assessment Bonds with Government Commitment				<u>\$ 9,200,000</u>	<u>\$ 8,315,000</u>
General Obligation Capital Notes					
2002B G.O. Capital Note	2006	\$685,000 - \$765,000	2.00 - 2.75	<u>\$ 2,900,000</u>	<u>\$ 1,505,000</u>

Loans Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
2000 Public Facilities Authority Clean Water Revolving Loan	2020	\$5,119 - \$460,119	2.25	\$ 7,188,360	\$ 6,192,000
2001 Public Facilities Authority Clean Water Revolving Loan	2021	\$2,565 - \$230,565	2.25	3,648,450	3,258,000
2002 Public Facilities Authority Clean Water Revolving Loan	2021	\$428 - \$40,428	2.14	651,000	581,000
1999 Public Facilities Authority Drinking Water Revolving Loan	2019	\$5,540 - \$318,540	3.54	4,446,000	3,721,000
2000 Public Facilities Authority Drinking Water Revolving Loan	2019	\$2,805 - \$161,255	3.54	2,262,450	1,884,450
2001 Public Facilities Authority Drinking Water Revolving Loan	2020	\$1,239 - \$71,239	3.54	1,012,260	876,000
2002 Public Facilities Authority Drinking Water Revolving Loan	2021	\$283 - \$16,283	3.54	233,000	208,000
Hawk Creek Watershed Clean Water Partnership Project	2014	\$8,599	2.00	155,169	148,122

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt

Loans Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
Shakopee Creek Watershed Clean Water Partnership Project	2015	\$12,907	2.00	227,090	227,090
Hawk Creek Watershed Continuation Clean Water Partnership Project	2017	\$17,290	2.00	89,943	89,943
Total Loans Payable				<u>\$ 19,913,722</u>	<u>\$ 17,185,605</u>

Paving Special Assessments

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
1999 Paving Special Assessments	2009	\$1,516 - \$2,164	6.50	\$ 14,238	\$ 7,119
2000 Paving Special Assessments	2010	\$517 - \$796	7.25	4,819	2,891
Total Special Assessments				<u>\$ 19,057</u>	<u>\$ 10,010</u>

6. Debt Service Requirements

Debt service requirements at December 31, 2004, were as follows:

Year Ending December 31	Installment Purchase Obligation		General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 455,000	\$ 307,732	\$ 1,125,000	\$ 1,433,161	\$ 510,000	\$ 341,793
2006	475,000	288,084	1,170,000	1,486,396	740,000	320,217
2007	495,000	267,347	1,415,000	1,429,994	765,000	294,058
2008	510,000	245,613	1,475,000	1,367,752	300,000	275,097
2009	535,000	222,616	1,920,000	1,295,176	310,000	263,656
2010 - 2014	3,075,000	715,774	10,095,000	5,154,629	1,760,000	1,116,069
2015 - 2019	1,440,000	69,840	10,330,000	2,827,064	2,225,000	679,862
2020 - 2024	-	-	6,115,000	372,440	1,705,000	133,833
Total	<u>\$ 6,985,000</u>	<u>\$ 2,117,006</u>	<u>\$ 33,645,000</u>	<u>\$ 15,366,612</u>	<u>\$ 8,315,000</u>	<u>\$ 3,424,585</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Debt Service Requirements (Continued)

Year Ending December 31	General Obligation Capital Notes		Loans		Paving Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 740,000	\$ 37,688	\$ 878,884	\$ 467,084	\$ 1,906	\$ 672
2006	765,000	21,038	913,069	445,238	1,906	545
2007	-	-	953,961	423,393	1,906	417
2008	-	-	993,298	400,354	1,906	290
2009	-	-	1,020,628	373,323	1,906	163
2010 - 2014	-	-	5,390,352	1,432,955	480	36
2015 - 2019	-	-	5,949,413	641,295	-	-
2020 -2024	-	-	1,086,000	32,204	-	-
Total	\$ 1,505,000	\$ 58,726	\$ 17,185,605	\$ 4,215,846	\$ 10,010	\$ 2,123

7. Crossover Refunding

In 2004, the County issued \$7,045,000 G.O. Law Enforcement Facility Refunding Bonds to refund the G.O. Law Enforcement Facility Bonds, Series 2000. These refunding bonds were used to purchase U.S. government, state, and local government securities that were placed in an irrevocable trust for the purpose of generating resources to make principal payments of \$6,830,000 after the crossover date of February 8, 2008. This crossover refunding was undertaken to reduce total debt service payments by \$669,252 and resulted in an economic gain of \$462,432.

8. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Installment purchase obligation	\$ 14,180,000	\$ -	\$ 7,195,000	\$ 6,985,000	\$ 455,000
General obligation bonds	21,545,000	13,180,000	1,080,000	33,645,000	1,125,000
Special assessment debt with government commitment	8,835,000	-	520,000	8,315,000	510,000
General obligation capital notes	2,226,053	-	721,053	1,505,000	740,000
Deferred (discount)/premiums	-	86,658	78,401	8,257	3,582
Total bonds payable	\$ 46,786,053	\$ 13,266,658	\$ 9,594,454	\$ 50,458,257	\$ 2,833,582
Paving special assessments	11,916	-	1,906	10,010	1,906
Capital leases	114,956	-	55,919	59,037	59,037
Loans payable	17,835,126	189,526	839,047	17,185,605	878,884
Estimated liability for landfill closure/postclosure	3,171,779	406,593	-	3,578,372	-
Compensated absences	2,423,238	347,824	-	2,771,062	63,667
Governmental Activity Long-Term Liabilities	\$ 70,343,068	\$ 14,210,601	\$ 10,491,326	\$ 74,062,343	\$ 3,837,076

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

8. Changes in Long-Term Liabilities (Continued)

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

General	\$ 7,047
Road and Bridge	190,000
Sanitary Landfill/Recycling Center	716,053
Debt Service	9,397,000
Other Governmental Funds	<u>102,825</u>
Total Debt Reductions	<u>\$ 10,412,925</u>

4. Employee Retirement Systems and 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). The PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53
Public Employees Police and Fire Fund	9.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2004, 2003, and 2002, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2004	\$ 746,169	\$ 158,284	\$ 163,453
2003	705,202	147,693	139,195
2002	633,858	145,315	127,140

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

5. Summary of Significant Contingencies and Other Items

A. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although the majority of the

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Landfill Closure and Postclosure Care Costs (Continued)

closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each year-end. The County estimated the cost of closure and postclosure care to be \$3,578,372 with no remaining capacity to be filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. 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, 2004, cash and investments of \$4,173,758 are held for these purposes. The County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

B. Risk Management

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

The Workers' Compensation Division of the 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. The MCIT participates in the Workers' Compensation Reinsurance

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

Association with coverage at \$720,000 per claim in 2004 and \$760,000 in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

The Property and Casualty Division of the MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. The MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the 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 \$21 per payroll period for each participating employee in 2004. The County deposits the County contributions and employee deductions with the administrator. Any claims paid by the administrator in excess of the deposits are billed to the County. The County also pays an administrative charge for the services rendered by the administrator. Financial transactions relating to the self-insurance plan are recorded in the General Fund.

The County has not had an actuarial study of the self-insurance dental plan; it has concluded that the risk of any major losses covered by self-insurance under this plan is covered by the general taxing powers of the County. There were no accrued benefits at December 31, 2004 and 2003. The following discloses the claims activity during fiscal years 2004 and 2003.

	Year Ended December 31	
	2004	2003
Beginning liability	\$ -	\$ -
Current year claims	206,912	220,104
Claim payments	(206,912)	(220,104)
End of Year Liability	\$ -	\$ -

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

C. Contingent Liabilities

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

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

D. Joint Ventures

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

Kandiyohi County entered into a joint powers agreement to create and operate the Kandiyohi - Region 6W Community Corrections Agencies Detention Center (commonly referred to as the Prairie Lakes Detention Center) pursuant to Minn. Stat. § 471.59. The Detention Center 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 Detention Center is vested in a Joint Board, which is composed of one Commissioner from each participating county. An Advisory Board has also been established, which is composed of the directors of the Kandiyohi County Community Corrections Agency and the Region 6W Community Corrections Agency, and the directors of the family services or human services departments of the counties participating in the agreement. The Detention Center is located at the Willmar Regional Treatment Center in space rented from the State of Minnesota.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

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

At December 31, 2003 (the most recent information available), the Detention Center had long-term debt of \$63,268, all of which was compensated absences. Financing is provided by charges for services to member and nonmember counties. Complete financial information can be obtained from the Detention Center's Office, P. O. Box 894, Willmar, Minnesota 56201.

Minnesota River Board

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

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

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

Complete financial information for the Minnesota River Board can be obtained from its administrative offices at Administration Building No. 14, 600 East Fourth Street, Chaska, Minnesota 55108.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Southwestern Minnesota Adult Mental Health Consortium

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

The following is a summary of the Consortium's annual financial report for the year ended December 31, 2003 (the most recent information available):

Total Assets (includes \$116,825 of fixed assets)	\$	220,978
Total Liabilities		5,230
Total Fund Equity		215,748
Total Revenues		889,414
Total Expenditures/Expenses		856,904
Increase (Decrease) in Fund Equity		32,510

The Consortium reported no long-term obligations at December 31, 2003.

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

Crow River Watershed

In April 1999, the County entered into a joint powers agreement with other counties to promote the orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination, and related support to

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Crow River Watershed (Continued)

the member counties by assisting in the implementation and goal achievement of comprehensive water plans which counties may develop and implement pursuant to Minn. Stat. §§ 103B.311 and 103B.315. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds. Current financial information is not available.

E. Jointly-Governed Organizations

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

Coordinated Enforcement Effort (CEE) VI Task Force

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

Regional Library

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Putting All Communities Together (PACT) 4 Families Collaborative

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

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

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

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

The EDC has six members. Kandiyohi County appoints three members and the City of Willmar appoints three members of the EDC. Each member is appointed to serve for three years. The Board appoints a fiscal agent to handle and be responsible for safekeeping the funds of the EDC. Kandiyohi County acts as the fiscal agent for the EDC and reports the activity of the EDC as an agency fund on its financial statements.

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the HRA. The HRA is reporting as of and for the year ended June 30, 2004.

The accounts of the HRA are organized and operated on the basis of funds, with each fund having a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. These funds are used to account for operations of the

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies (Continued)

HRA and are grouped into the proprietary category. Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

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

B. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash

For the purpose of the statement of cash flows, all cash deposits and temporary investments with original terms of three months or less are considered to be cash.

D. Property and Equipment

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

E. Bond Issuance Costs

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

F. Deposits and Investments

The HRA's cash and investments as of June 30, 2004, are summarized as follows:

Restricted	
Cash on deposit	\$ 35,941
Unrestricted	
Cash on deposit	90,944
Investments (certificates of deposit)	<u>99,632</u>
Total	<u>\$ 226,517</u>

In accordance with Minnesota statutes, the HRA maintains deposits at depository banks authorized by the Board. All such depositories are federally insured. The carrying amount of the HRA's deposits with financial institutions was \$226,517 as of June 30, 2004; the bank balance was \$231,071. There were no uninsured balances as of June 30, 2004.

Minnesota statutes require that all HRA deposits be protected by insurance, surety bond, or collateral, and that securities pledged as collateral be legal instruments and be held in safekeeping by the HRA Treasurer or in a financial institution other than that furnishing the collateral. The market value of collateral pledged must generally exceed deposits not covered by insurance or bonds by at least ten percent. The HRA was in compliance with these Minnesota statutes at June 30, 2004.

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

- (a) direct obligations or obligations guaranteed by the United States or its agencies;
- (b) shares of investment companies registered under the Federal Investment Company Act of 1940 whose only investments are in securities described in Minnesota statutes;
- (c) general obligations of the State of Minnesota or any of its municipalities and other state and local government obligations as listed in Minnesota statutes;
- (d) bankers' acceptances of United States banks, eligible for purchase by the Federal Reserve System;

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

F. Deposits and Investments (Continued)

- (e) commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less;
- (f) repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in United States government securities reporting to the Federal Reserve Bank of New York, certain Minnesota securities broker-dealers, or a bank qualified as a depository; and
- (g) guaranteed investment contracts issued or guaranteed by a United States commercial bank or domestic branch of a foreign bank or a United States insurance company or its Canadian or United States subsidiary, provided it ranks on a parity with the senior unsecured debt obligations of the issuer or guarantor and meets other requirements as stated in Minnesota statutes.

G. Receivables

Receivables for the HRA at June 30, 2004, were as follows:

Accounts	\$ 9,425
Taxes receivable	<u>110,995</u>
Total Receivables	<u>\$ 120,420</u>

H. Property and Equipment

The HRA's property and equipment activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 58,916	\$ -	\$ -	\$ 58,916
Landscaping	<u>23,443</u>	<u>-</u>	<u>-</u>	<u>23,443</u>
Total capital assets not depreciated	<u>\$ 82,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,359</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

H. Property and Equipment (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated				
Buildings	\$ 1,380,083	\$ 365	\$ 365	\$ 1,380,083
Machinery, furniture, and equipment	48,362	-	-	48,362
Total capital assets depreciated	\$ 1,428,445	\$ 365	\$ 365	\$ 1,428,445
Less: accumulated depreciation	154,699	45,770	365	200,104
Total capital assets, depreciated, net	\$ 1,273,746	\$ (45,405)	\$ -	\$ 1,228,341
Total Capital Assets, Net	<u>\$ 1,356,105</u>	<u>\$ (45,405)</u>	<u>\$ -</u>	<u>\$ 1,310,700</u>

Depreciation expense of \$45,770 was charged to housing and redevelopment expense.

I. Payables

Payables for the HRA at June 30, 2004, were as follows:

Accounts	\$ 9,903
Accrued payroll taxes	26,131
Due to other governmental units, U.S. Department of Housing and Urban Development (HUD)	<u>3,491</u>
Total	<u>\$ 39,525</u>

J. Deferred Revenue

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**

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

K. Long-Term Debt

Long-term debt outstanding at June 30, 2004, for the HRA consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
Essential Function Housing Development Bond of 1997	2030	5.25 - 8.75	<u>\$ 1,530,000</u>	<u>\$ 1,461,697</u>

The estimated debt service requirements as of June 30, 2004, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 20,239	\$ 79,324	\$ 99,563
2006	28,362	71,201	99,563
2007	29,813	69,750	99,563
2008	31,338	68,225	99,563
2009	32,941	66,622	99,563
2010 - 2014	191,778	306,037	497,815
2015 - 2019	246,121	251,694	497,815
2020 - 2024	315,860	181,955	497,815
2025 - 2029	405,363	92,452	497,815
2030	<u>159,882</u>	<u>6,735</u>	<u>166,617</u>
Total	<u>\$ 1,461,697</u>	<u>\$ 1,193,995</u>	<u>\$ 2,655,692</u>

L. Related-Party Transactions

Throughout the year ended June 30, 2004, the Executive Director of the Kandiyohi County HRA was also a key employee of Heartland Community Action Agency, Inc. Payments by the HRA to Heartland Community Action Agency, Inc., for the year ended June 30, 2004, are summarized as follows:

Housing assistance payments	\$ 337,634
Administrative costs	64,058

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

M. Lease Agreement

The HRA, operating under a shared services agreement with the Housing and Redevelopment Authority in and for the City of Willmar, Minnesota, (Willmar HRA) entered into a five-year lease commencing November 1, 2003, for office space with Kandiyohi County. Under the terms of the lease, the HRA and the Willmar HRA are required to make monthly lease payments to the County in the amount of \$3,092.

Under the shared services agreement with the Willmar HRA, each party to the agreement will pay 50 percent of the aforementioned lease agreement in addition to other cost-shared services. Total HRA rental expense for the year ended June 30, 2004, totaled \$12,368.

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

2005	\$ 18,552
2006	18,552
2007	18,552
2008	18,552
2009	<u>6,184</u>
Total	<u>\$ 80,392</u>

N. Risk Management

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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

O. Contingencies

The HRA receives grant funds, principally from 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.

7. Subsequent Event

The Board of County Commissioners, in its meeting on February 15, 2005, made a motion to approve and proceed with a crossover bond sale refunding the \$3,015,000 G.O. Law Enforcement Facility Bonds, Series 1998, and the \$6,500,000 G.O. Law Enforcement Facility Bonds, Series 1999, on March 15, 2005.

As of August 29, 2005, these bonds have not been issued.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 8,508,217	\$ 8,508,217	\$ 8,440,484	\$ (67,733)
Special assessments	-	-	46,538	46,538
Licenses and permits	381,700	381,700	475,105	93,405
Intergovernmental	3,964,664	3,964,664	4,315,711	351,047
Charges for services	4,015,520	4,015,520	5,235,391	1,219,871
Gifts and contributions	-	-	18,288	18,288
Investment earnings	350,000	350,000	324,607	(25,393)
Miscellaneous	362,575	362,575	741,019	378,444
Total Revenues	\$ 17,582,676	\$ 17,582,676	\$ 19,597,143	\$ 2,014,467
Expenditures				
Current				
General government				
Commissioners	\$ 292,345	\$ 292,345	\$ 248,574	\$ 43,771
Courts	10,000	10,000	17,355	(7,355)
Law library	82,400	82,400	83,455	(1,055)
County administration	185,233	185,233	181,783	3,450
County auditor	987,450	987,450	1,105,884	(118,434)
County assessor	415,400	415,400	379,519	35,881
Elections	49,500	49,500	51,388	(1,888)
Records management	46,750	46,750	45,660	1,090
Data processing	366,842	366,842	510,425	(143,583)
Attorney	730,500	730,500	760,791	(30,291)
Recorder	417,250	417,250	436,034	(18,784)
Surveyor	90,000	90,000	99,940	(9,940)
Planning and zoning	341,600	341,600	579,442	(237,842)
Buildings and plant	1,087,070	1,087,070	942,950	144,120
Veterans service officer	127,100	127,100	140,432	(13,332)
Total general government	\$ 5,229,440	\$ 5,229,440	\$ 5,583,632	\$ (354,192)
Public safety				
Sheriff	\$ 3,488,511	\$ 3,488,511	\$ 3,605,828	\$ (117,317)
Boat and water safety	44,750	44,750	31,406	13,344
Coroner	30,000	30,000	35,897	(5,897)
E-911 system	53,400	53,400	63,812	(10,412)
Group home	1,086,800	1,086,800	1,098,400	(11,600)
County jail	3,444,358	3,444,358	3,589,406	(145,048)
Community corrections	1,886,222	1,886,222	2,100,020	(213,798)
Civil defense	161,400	161,400	207,674	(46,274)
Other public safety	-	-	1,147	(1,147)
Total public safety	\$ 10,195,441	\$ 10,195,441	\$ 10,733,590	\$ (538,149)
Health				
Nursing service	\$ 1,845,600	\$ 1,845,600	\$ 1,771,314	\$ 74,286

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Schedule 1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Culture and recreation				
Historical society	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Parks	225,800	225,800	372,815	(147,015)
Other	54,800	54,800	35,946	18,854
Total culture and recreation	\$ 320,600	\$ 320,600	\$ 448,761	\$ (128,161)
Conservation of natural resources				
Cooperative extension	\$ 100,000	\$ 100,000	\$ 91,205	\$ 8,795
Soil and water conservation	114,200	114,200	114,200	-
Agricultural inspections	39,690	39,690	45,856	(6,166)
Agricultural society/County fair	20,000	20,000	20,000	-
Water planning	40,484	40,484	46,367	(5,883)
Other	158,932	158,932	150,031	8,901
Total conservation of natural resources	\$ 473,306	\$ 473,306	\$ 467,659	\$ 5,647
Economic development				
Community development	\$ -	\$ -	\$ 18,765	\$ (18,765)
Unallocated				
Insurance	\$ 116,000	\$ 116,000	\$ 465,206	\$ (349,206)
Debt service				
Principal retirement	\$ -	\$ -	\$ 7,047	\$ (7,047)
Interest	\$ -	\$ -	\$ 13,436	\$ (13,436)
Total Expenditures	\$ 18,180,387	\$ 18,180,387	\$ 19,509,410	\$ (1,329,023)
Excess of Revenues Over (Under) Expenditures				
	\$ (597,711)	\$ (597,711)	\$ 87,733	\$ 685,444
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (143,145)	\$ (143,145)
Loans issued	-	-	189,526	189,526
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 46,381	\$ 46,381
Net Change in Fund Balance	\$ (597,711)	\$ (597,711)	\$ 134,114	\$ 731,825
Fund Balance - January 1	5,255,850	5,255,850	5,255,850	-
Fund Balance - December 31	\$ 4,658,139	\$ 4,658,139	\$ 5,389,964	\$ 731,825

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,982,711	\$ 1,982,711	\$ 1,988,883	\$ 6,172
Special assessments	-	-	8,185	8,185
Intergovernmental	6,521,289	6,521,289	5,331,070	(1,190,219)
Charges for services	370,000	370,000	993,446	623,446
Investment earnings	125,000	125,000	78,873	(46,127)
Miscellaneous	-	-	13,044	13,044
Total Revenues	\$ 8,999,000	\$ 8,999,000	\$ 8,413,501	\$ (585,499)
Expenditures				
Current				
Highways and streets				
Administration	\$ -	\$ -	\$ 571,475	\$ (571,475)
Maintenance	3,485,000	3,485,000	2,031,981	1,453,019
Construction	6,064,000	6,064,000	4,401,676	1,662,324
Equipment maintenance and shops	300,000	300,000	696,534	(396,534)
Total highways and streets	\$ 9,849,000	\$ 9,849,000	\$ 7,701,666	\$ 2,147,334
Intergovernmental				
Highways and streets	-	-	277,903	(277,903)
Debt service				
Principal retirement	190,000	190,000	190,000	-
Interest	104,000	104,000	103,514	486
Administrative (fiscal) charges	-	-	132	(132)
Total Expenditures	\$ 10,143,000	\$ 10,143,000	\$ 8,273,215	\$ 1,869,785
Excess of Revenues Over (Under) Expenditures	\$ (1,144,000)	\$ (1,144,000)	\$ 140,286	\$ 1,284,286
Fund Balance - January 1	4,612,479	4,612,479	4,612,479	-
Increase (decrease) in reserved for inventories	-	-	31,565	31,565
Fund Balance - December 31	\$ 3,468,479	\$ 3,468,479	\$ 4,784,330	\$ 1,315,851

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,405,811	\$ 4,405,811	\$ 4,419,725	\$ 13,914
Intergovernmental	7,852,960	7,852,960	8,123,508	270,548
Charges for services	451,737	451,737	533,999	82,262
Total Revenues	\$ 12,710,508	\$ 12,710,508	\$ 13,077,232	\$ 366,724
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,531,578	\$ 2,531,578	\$ 2,646,644	\$ (115,066)
Social services	10,342,022	10,342,022	9,679,158	662,864
Total Expenditures	\$ 12,873,600	\$ 12,873,600	\$ 12,325,802	\$ 547,798
Excess of Revenues Over (Under) Expenditures	\$ (163,092)	\$ (163,092)	\$ 751,430	\$ 914,522
Fund Balance - January 1	5,321,789	5,321,789	5,321,789	-
Fund Balance - December 31	\$ 5,158,697	\$ 5,158,697	\$ 6,073,219	\$ 914,522

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
SANITARY LANDFILL/RECYCLING CENTER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 870,000	\$ 870,000	\$ 848,115	\$ (21,885)
Licenses and permits	500	500	1,365	865
Intergovernmental	96,984	96,984	94,981	(2,003)
Charges for services	2,056,200	2,056,200	2,384,956	328,756
Investment earnings	125,000	125,000	27,208	(97,792)
Miscellaneous	2,000	2,000	1,660	(340)
Total Revenues	\$ 3,150,684	\$ 3,150,684	\$ 3,358,285	\$ 207,601
Expenditures				
Current				
Sanitation				
Solid waste	\$ 1,703,250	\$ 1,703,250	\$ 2,115,560	\$ (412,310)
Debt service				
Principal retirement	754,266	754,266	716,053	38,213
Interest	144,000	144,000	143,710	290
Administrative (fiscal) charges	600	600	1,422	(822)
Total Expenditures	\$ 2,602,116	\$ 2,602,116	\$ 2,976,745	\$ (374,629)
Excess of Revenues Over (Under) Expenditures	\$ 548,568	\$ 548,568	\$ 381,540	\$ (167,028)
Fund Balance - January 1	11,838,694	11,838,694	11,838,694	-
Fund Balance - December 31	\$ 12,387,262	\$ 12,387,262	\$ 12,220,234	\$ (167,028)

This page was left blank intentionally.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004

1. Budgetary Information

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

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

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

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

2. Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2004:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 19,509,410	\$ 18,180,387	\$ 1,329,023
Special Revenue Funds			
Sanitary Landfill/Recycling Center	2,976,745	2,602,116	374,629
Capital Equipment	964,536	-	964,536
County Library	389,613	369,635	19,978

This page was left blank intentionally.

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

Health and Human Services Building Fund - to account for revenues collected from the lease of the County's Health and Human Services Building and daycare operations conducted within and the expenditures associated with these operations.

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

CAPITAL PROJECTS FUND

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	Special Revenue (Statement 3)	Capital Projects	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and pooled investments	\$ 9,389,902	\$ -	\$ 9,389,902
Taxes receivable			
Prior	43,097	-	43,097
Special assessments receivable			
Prior	7,892	-	7,892
Noncurrent	605,087	-	605,087
Accounts receivable	1,431	-	1,431
Accrued interest receivable	28,195	-	28,195
Leases receivable	19,000	-	19,000
Due from other funds	20,182	-	20,182
Due from other governments	135,418	-	135,418
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 10,250,204	\$ -	\$ 10,250,204
	<hr/>	<hr/>	<hr/>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Cash overdraft	\$ -	\$ 1,485,283	\$ 1,485,283
Accounts payable	92,216	1,210	93,426
Salaries payable	16,240	-	16,240
Contracts payable	-	100,842	100,842
Retainage payable	-	28,836	28,836
Due to other funds	16,812	-	16,812
Due to other governments	230,322	-	230,322
Deferred revenue - unavailable	515,522	-	515,522
Deferred revenue - unearned	35,216	-	35,216
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 906,328	\$ 1,616,171	\$ 2,522,499
	<hr/>	<hr/>	<hr/>
Fund Balances			
Reserved for encumbrances	\$ -	\$ 48,393	\$ 48,393
Unreserved			
Undesignated	9,343,876	(1,664,564)	7,679,312
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ 9,343,876	\$ (1,616,171)	\$ 7,727,705
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 10,250,204	\$ -	\$ 10,250,204
	<hr/>	<hr/>	<hr/>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Special Revenue (Statement 4)	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 2,138,736	\$ -	\$ 2,138,736
Special assessments	565,013	-	565,013
Intergovernmental	527,408	-	527,408
Charges for services	684,675	-	684,675
Fines and forfeits	15,047	-	15,047
Gifts and contributions	500	-	500
Investment earnings	84,231	-	84,231
Miscellaneous	710,033	198,400	908,433
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 4,725,643	\$ 198,400	\$ 4,924,043
Expenditures			
Current			
General government	\$ 900,334	\$ -	\$ 900,334
Public safety	220,965	-	220,965
Highways and streets	445,776	-	445,776
Sanitation	758,934	-	758,934
Health	1,109	-	1,109
Culture and recreation	368,648	-	368,648
Conservation of natural resources	377,769	-	377,769
Intergovernmental			
Culture and recreation	226,500	-	226,500
Capital outlay	-	780,627	780,627
Debt service			
Principal retirement	102,825	-	102,825
Interest	9,402	-	9,402
Administrative (fiscal) charges	710	-	710
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 3,412,972	\$ 780,627	\$ 4,193,599
Excess of Revenues Over (Under) Expenditures	\$ 1,312,671	\$ (582,227)	\$ 730,444
Other Financing Sources (Uses)			
Transfers in	\$ 643,145	\$ -	\$ 643,145
Transfers out	(1,429,756)	-	(1,429,756)
Proceeds from sale of capital assets	804,902	-	804,902
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	\$ 18,291	\$ -	\$ 18,291
Net Change in Fund Balances	\$ 1,330,962	\$ (582,227)	\$ 748,735
Fund Balances - January 1	8,012,914	(1,033,944)	6,978,970
	<hr/>	<hr/>	<hr/>
Fund Balances - December 31	\$ 9,343,876	\$ (1,616,171)	\$ 7,727,705

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2004**

	Capital Equipment	County Building	Ditch	Eagle Lake Sewer
<u>Assets</u>				
Cash and pooled investments	\$ 2,928,227	\$ 2,448,823	\$ 248,401	\$ 367,547
Taxes receivable				
Prior	12,419	24,166	-	-
Special assessments receivable				
Prior	-	-	1,535	3,492
Noncurrent	-	-	381,548	126,041
Accounts receivable	-	-	1,229	-
Accrued interest receivable	22,923	3,074	620	1,578
Leases receivable	-	-	-	-
Due from other funds	-	-	15,982	-
Due from other governments	-	-	91,768	-
Total Assets	<u>\$ 2,963,569</u>	<u>\$ 2,476,063</u>	<u>\$ 741,083</u>	<u>\$ 498,658</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ 16,920	\$ 57,106	\$ 349
Salaries payable	-	-	-	128
Due to other funds	-	-	13,264	-
Due to other governments	-	-	46,163	46,558
Deferred revenue - unavailable	8,955	17,825	256,216	128,119
Deferred revenue - unearned	-	-	-	-
Total Liabilities	<u>\$ 8,955</u>	<u>\$ 34,745</u>	<u>\$ 372,749</u>	<u>\$ 175,154</u>
Fund Balances				
Unreserved				
Undesignated	2,954,614	2,441,318	368,334	323,504
Total Liabilities and Fund Balances	<u>\$ 2,963,569</u>	<u>\$ 2,476,063</u>	<u>\$ 741,083</u>	<u>\$ 498,658</u>

Statement 3

Green Lake Sewer	County Library	DARE	Health and Human Services Building	Forfeited Tax Sale	Total (Statement 1)
\$ 2,283,752	\$ 162,430	\$ 15,200	\$ 830,187	\$ 105,335	\$ 9,389,902
-	4,149	-	2,363	-	43,097
2,865	-	-	-	-	7,892
97,498	-	-	-	-	605,087
129	-	-	73	-	1,431
-	-	-	-	-	28,195
-	19,000	-	-	-	19,000
-	2,200	2,000	-	-	20,182
41,153	-	380	2,117	-	135,418
<u>\$ 2,425,397</u>	<u>\$ 187,779</u>	<u>\$ 17,580</u>	<u>\$ 834,740</u>	<u>\$ 105,335</u>	<u>\$ 10,250,204</u>
\$ 11,123	\$ 443	\$ -	\$ 6,105	\$ 170	\$ 92,216
8,743	1,811	-	5,558	-	16,240
40	1,000	-	2,508	-	16,812
2,571	10,229	-	19,636	105,165	230,322
99,473	3,077	-	1,857	-	515,522
-	19,000	-	16,216	-	35,216
<u>\$ 121,950</u>	<u>\$ 35,560</u>	<u>\$ -</u>	<u>\$ 51,880</u>	<u>\$ 105,335</u>	<u>\$ 906,328</u>
2,303,447	152,219	17,580	782,860	-	9,343,876
<u>\$ 2,425,397</u>	<u>\$ 187,779</u>	<u>\$ 17,580</u>	<u>\$ 834,740</u>	<u>\$ 105,335</u>	<u>\$ 10,250,204</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Capital Equipment	County Building	Ditch	Eagle Lake Sewer
Revenues				
Taxes	\$ 662,113	\$ 1,195,742	\$ -	\$ -
Special assessments	-	-	431,797	126,668
Intergovernmental	142,267	281,309	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Gifts and contributions	-	-	-	-
Investment earnings	79,726	-	2,030	2,475
Miscellaneous	-	48,870	-	-
Total Revenues	\$ 884,106	\$ 1,525,921	\$ 433,827	\$ 129,143
Expenditures				
Current				
General government	\$ 307,656	\$ 69,385	\$ -	\$ -
Public safety	190,128	24,448	-	-
Highways and streets	445,776	-	-	-
Sanitation	-	-	-	96,595
Health	1,109	-	-	-
Culture and recreation	-	205,535	-	-
Conservation of natural resources	19,867	-	357,902	-
Intergovernmental				
Culture and recreation	-	-	-	-
Debt service				
Principal retirement	-	57,825	-	-
Interest	-	6,364	-	-
Administrative (fiscal) charges	-	250	-	-
Total Expenditures	\$ 964,536	\$ 363,807	\$ 357,902	\$ 96,595
Excess of Revenues Over (Under) Expenditures	\$ (80,430)	\$ 1,162,114	\$ 75,925	\$ 32,548
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(764,393)	(500,000)	-	-
Proceeds from sale of assets	-	-	-	-
Total Other Financing Sources (Uses)	\$ (764,393)	\$ (500,000)	\$ -	\$ -
Net Change in Fund Balances	\$ (844,823)	\$ 662,114	\$ 75,925	\$ 32,548
Fund Balances - January 1	3,799,437	1,779,204	292,409	290,956
Fund Balances - December 31	\$ 2,954,614	\$ 2,441,318	\$ 368,334	\$ 323,504

Statement 4

Green Lake Sewer	County Library	DARE	Health and Human Services Building	Forfeited Tax Sale	Total (Statement 2)
\$ -	\$ 188,850	\$ -	\$ 92,031	\$ -	\$ 2,138,736
6,548	-	-	-	-	565,013
10,570	73,686	-	19,576	-	527,408
684,231	-	-	444	-	684,675
-	-	15,047	-	-	15,047
-	-	500	-	-	500
-	-	-	-	-	84,231
4,949	27,100	-	556,222	72,892	710,033
\$ 706,298	\$ 289,636	\$ 15,547	\$ 668,273	\$ 72,892	\$ 4,725,643
\$ -	\$ -	\$ -	\$ 450,401	\$ 72,892	\$ 900,334
-	-	6,389	-	-	220,965
-	-	-	-	-	445,776
662,339	-	-	-	-	758,934
-	-	-	-	-	1,109
-	163,113	-	-	-	368,648
-	-	-	-	-	377,769
-	226,500	-	-	-	226,500
45,000	-	-	-	-	102,825
3,038	-	-	-	-	9,402
460	-	-	-	-	710
\$ 710,837	\$ 389,613	\$ 6,389	\$ 450,401	\$ 72,892	\$ 3,412,972
\$ (4,539)	\$ (99,977)	\$ 9,158	\$ 217,872	\$ -	\$ 1,312,671
\$ -	\$ 143,145	\$ -	\$ 500,000	\$ -	\$ 643,145
-	-	-	(165,363)	-	(1,429,756)
804,902	-	-	-	-	804,902
\$ 804,902	\$ 143,145	\$ -	\$ 334,637	\$ -	\$ 18,291
\$ 800,363	\$ 43,168	\$ 9,158	\$ 552,509	\$ -	\$ 1,330,962
1,503,084	109,051	8,422	230,351	-	8,012,914
\$ 2,303,447	\$ 152,219	\$ 17,580	\$ 782,860	\$ -	\$ 9,343,876

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 660,896	\$ 660,896	\$ 662,113	\$ 1,217
Intergovernmental	139,104	139,104	142,267	3,163
Investment earnings	-	-	79,726	79,726
Total Revenues	\$ 800,000	\$ 800,000	\$ 884,106	\$ 84,106
Expenditures				
Current				
General government	\$ -	\$ -	\$ 307,656	\$ (307,656)
Public safety	-	-	190,128	(190,128)
Highways and streets	-	-	445,776	(445,776)
Health	-	-	1,109	(1,109)
Conservation of natural resources	-	-	19,867	(19,867)
Total Expenditures	\$ -	\$ -	\$ 964,536	\$ (964,536)
Excess of Revenues Over (Under) Expenditures	\$ 800,000	\$ 800,000	\$ (80,430)	\$ (880,430)
Other Financing Sources (Uses)				
Transfers out	-	-	(764,393)	(764,393)
Net Change in Fund Balance	\$ 800,000	\$ 800,000	\$ (844,823)	\$ (1,644,823)
Fund Balance - January 1	3,799,437	3,799,437	3,799,437	-
Fund Balance - December 31	\$ 4,599,437	\$ 4,599,437	\$ 2,954,614	\$ (1,644,823)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,192,101	\$ 1,192,101	\$ 1,195,742	\$ 3,641
Intergovernmental	250,899	250,899	281,309	30,410
Miscellaneous	-	-	48,870	48,870
Total Revenues	\$ 1,443,000	\$ 1,443,000	\$ 1,525,921	\$ 82,921
Expenditures				
Current				
General government	\$ 260,000	\$ 260,000	\$ 69,385	\$ 190,615
Public safety	125,000	125,000	24,448	100,552
Culture and recreation	558,000	558,000	205,535	352,465
Debt service				
Principal retirement	-	-	57,825	(57,825)
Interest	-	-	6,364	(6,364)
Administrative (fiscal) charges	-	-	250	(250)
Total Expenditures	\$ 943,000	\$ 943,000	\$ 363,807	\$ 579,193
Excess of Revenues Over (Under) Expenditures	\$ 500,000	\$ 500,000	\$ 1,162,114	\$ 662,114
Other Financing Sources (Uses)				
Transfers out	(500,000)	(500,000)	(500,000)	-
Net Change in Fund Balance	\$ -	\$ -	\$ 662,114	\$ 662,114
Fund Balance - January 1	1,779,204	1,779,204	1,779,204	-
Fund Balance - December 31	\$ 1,779,204	\$ 1,779,204	\$ 2,441,318	\$ 662,114

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
GREEN LAKE SEWER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 1,650	\$ 1,650	\$ 6,548	\$ 4,898
Intergovernmental	-	-	10,570	10,570
Charges for services	713,500	713,500	684,231	(29,269)
Miscellaneous	5,500	5,500	4,949	(551)
Total Revenues	\$ 720,650	\$ 720,650	\$ 706,298	\$ (14,352)
Expenditures				
Current				
Sanitation	\$ 747,603	\$ 747,603	\$ 662,339	\$ 85,264
Debt service				
Principal retirement	-	-	45,000	(45,000)
Interest	-	-	3,038	(3,038)
Administrative (fiscal) charges	-	-	460	(460)
Total Expenditures	\$ 747,603	\$ 747,603	\$ 710,837	\$ 36,766
Excess of Revenues Over (Under) Expenditures	\$ (26,953)	\$ (26,953)	\$ (4,539)	\$ 22,414
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	804,902	804,902
Net Change in Fund Balance	\$ (26,953)	\$ (26,953)	\$ 800,363	\$ 827,316
Fund Balance - January 1	1,503,084	1,503,084	1,503,084	-
Fund Balance - December 31	\$ 1,476,131	\$ 1,476,131	\$ 2,303,447	\$ 827,316

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
COUNTY LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 188,301	\$ 188,301	\$ 188,850	\$ 549
Intergovernmental	108,299	108,299	73,686	(34,613)
Miscellaneous	26,400	26,400	27,100	700
Total Revenues	\$ 323,000	\$ 323,000	\$ 289,636	\$ (33,364)
Expenditures				
Current				
Culture and recreation	\$ 143,135	\$ 143,135	\$ 163,113	\$ (19,978)
Intergovernmental				
Culture and recreation	226,500	226,500	226,500	-
Total Expenditures	\$ 369,635	\$ 369,635	\$ 389,613	\$ (19,978)
Excess of Revenues Over (Under) Expenditures	\$ (46,635)	\$ (46,635)	\$ (99,977)	\$ (53,342)
Other Financing Sources (Uses)				
Transfers in	-	-	143,145	143,145
Net Change in Fund Balance	\$ (46,635)	\$ (46,635)	\$ 43,168	\$ 89,803
Fund Balance - January 1	109,051	109,051	109,051	-
Fund Balance - December 31	\$ 62,416	\$ 62,416	\$ 152,219	\$ 89,803

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 90,855	\$ 90,855	\$ 92,031	\$ 1,176
Intergovernmental	19,145	19,145	19,576	431
Charges for services	-	-	444	444
Miscellaneous	575,000	575,000	556,222	(18,778)
Total Revenues	\$ 685,000	\$ 685,000	\$ 668,273	\$ (16,727)
Expenditures				
Current				
General government	1,181,700	1,181,700	450,401	731,299
Excess of Revenues Over (Under) Expenditures	\$ (496,700)	\$ (496,700)	\$ 217,872	\$ 714,572
Other Financing Sources (Uses)				
Transfers in	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Transfers out	-	-	(165,363)	(165,363)
Total Other Financing Sources (Uses)	\$ 500,000	\$ 500,000	\$ 334,637	\$ (165,363)
Net Change in Fund Balance	\$ 3,300	\$ 3,300	\$ 552,509	\$ 549,209
Fund Balance - January 1	230,351	230,351	230,351	-
Fund Balance - December 31	\$ 233,651	\$ 233,651	\$ 782,860	\$ 549,209

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

AGENCY FUNDS

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

Buffalo Creek Watershed Fund - to account for collections and payments to the Buffalo Creek Watershed.

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

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

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

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

North Fork Crow River Watershed Fund - to account for collections and payments to the North Fork Crow River Watershed.

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

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

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

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

Extension - Small Business Development Fund - to account for the funds collected and disbursed for educational purposes in the development of small businesses.

Putting All Communities Together (PACT) 4 Families Fund - to account for the funds collected from a collaborative of counties, school districts, and other member agencies which are used for family service purposes.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

AGENCY FUNDS
(Continued)

Kandiyohi County/City of Willmar EDC - to account for the funds collected from the Rural Development Finance Authority.

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 5

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>BUFFALO CREEK WATERSHED</u>				
<u>Assets</u>				
Cash and investments	\$ -	\$ 997	\$ 995	\$ 2
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 997	\$ 995	\$ 2
<u>CURRENT SCHOOL</u>				
<u>Assets</u>				
Cash and investments	\$ 145,949	\$ 8,125,861	\$ 8,073,320	\$ 198,490
<u>Liabilities</u>				
Due to other governments	\$ 145,949	\$ 8,125,861	\$ 8,073,320	\$ 198,490
<u>DEED TAX</u>				
<u>Assets</u>				
Cash and investments	\$ 43,732	\$ 626,930	\$ 625,832	\$ 44,830
<u>Liabilities</u>				
Due to other governments	\$ 43,732	\$ 626,930	\$ 625,832	\$ 44,830
<u>GAME AND FISH</u>				
<u>Assets</u>				
Cash and investments	\$ 611	\$ 20,285	\$ 17,983	\$ 2,913
<u>Liabilities</u>				
Due to other governments	\$ 611	\$ 20,285	\$ 17,983	\$ 2,913

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Statement 5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>MORTGAGE REGISTRY TAX</u>				
<u>Assets</u>				
Cash and investments	\$ 59,436	\$ 967,790	\$ 952,964	\$ 74,262
<u>Liabilities</u>				
Due to other governments	\$ 59,436	\$ 967,790	\$ 952,964	\$ 74,262
 <u>NORTH FORK CROW RIVER WATERSHED</u>				
<u>Assets</u>				
Cash and investments	\$ 174	\$ 12,628	\$ 12,079	\$ 723
<u>Liabilities</u>				
Due to other governments	\$ 174	\$ 12,628	\$ 12,079	\$ 723
 <u>COUNTY-WIDE LEVY</u>				
<u>Assets</u>				
Cash and investments	\$ 21,802	\$ 491,963	\$ 498,632	\$ 15,133
Taxes receivable - delinquent	4,239	1,647	4,239	1,647
Total Assets	\$ 26,041	\$ 493,610	\$ 502,871	\$ 16,780
<u>Liabilities</u>				
Due to other governments	\$ 26,041	\$ 493,610	\$ 502,871	\$ 16,780

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Statement 5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE AGENCY</u>				
<u>Assets</u>				
Cash and investments	<u>\$ 194,230</u>	<u>\$ 13,006,433</u>	<u>\$ 12,994,207</u>	<u>\$ 206,456</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 194,230</u>	<u>\$ 13,006,433</u>	<u>\$ 12,994,207</u>	<u>\$ 206,456</u>
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and investments	\$ 184,191	\$ 55,242,495	\$ 55,216,264	\$ 210,422
Accrued interest receivable	441	679	441	679
Total Assets	<u>\$ 184,632</u>	<u>\$ 55,243,174</u>	<u>\$ 55,216,705</u>	<u>\$ 211,101</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 184,632</u>	<u>\$ 55,243,174</u>	<u>\$ 55,216,705</u>	<u>\$ 211,101</u>
 <u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and investments	<u>\$ 110,436</u>	<u>\$ 7,116,767</u>	<u>\$ 7,071,135</u>	<u>\$ 156,068</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 110,436</u>	<u>\$ 7,116,767</u>	<u>\$ 7,071,135</u>	<u>\$ 156,068</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 5
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>EXTENSION - SMALL BUSINESS DEVELOPMENT</u>				
<u>Assets</u>				
Cash and investments	\$ 2,370	\$ -	\$ 2,370	\$ -
<u>Liabilities</u>				
Accounts payable	\$ 2,370	\$ -	\$ 2,370	\$ -
 <u>PACT 4 FAMILIES</u>				
<u>Assets</u>				
Cash and investments	\$ 5,590,483	\$ 6,935,081	\$ 4,627,910	\$ 7,897,654
Due from other funds	43,967	87,056	43,967	87,056
Due from other governments	551,705	1,237,857	551,705	1,237,857
Total Assets	\$ 6,186,155	\$ 8,259,994	\$ 5,223,582	\$ 9,222,567
<u>Liabilities</u>				
Accounts payable	\$ 190,778	\$ 37,074	\$ 190,778	\$ 37,074
Salaries payable	111,767	46,652	111,767	46,652
Due to other governments	5,883,610	8,176,268	4,921,037	9,138,841
Total Liabilities	\$ 6,186,155	\$ 8,259,994	\$ 5,223,582	\$ 9,222,567
 <u>KANDIYOHI COUNTY/ CITY OF WILLMAR EDC</u>				
<u>Assets</u>				
Cash and investments	\$ 98,968	\$ 366,282	\$ 297,956	\$ 167,294
<u>Liabilities</u>				
Due to other governments	\$ 98,968	\$ 366,282	\$ 297,956	\$ 167,294

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 5
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CEE VI TASK FORCE</u>				
<u>Assets</u>				
Cash and investments	\$ 219,954	\$ 420,307	\$ 376,688	\$ 263,573
Due from other governments	-	23,386	-	23,386
Total Assets	<u>\$ 219,954</u>	<u>\$ 443,693</u>	<u>\$ 376,688</u>	<u>\$ 286,959</u>
<u>Liabilities</u>				
Accounts payable	\$ 845	\$ 1,582	\$ 845	\$ 1,582
Due to other governments	219,109	442,111	375,843	285,377
Total Liabilities	<u>\$ 219,954</u>	<u>\$ 443,693</u>	<u>\$ 376,688</u>	<u>\$ 286,959</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 6,672,336	\$ 93,333,819	\$ 90,768,335	\$ 9,237,820
Taxes receivable - delinquent	4,239	1,647	4,239	1,647
Accrued interest receivable	441	679	441	679
Due from other funds	43,967	87,056	43,967	87,056
Due from other governments	551,705	1,261,243	551,705	1,261,243
Total Assets	<u>\$ 7,272,688</u>	<u>\$ 94,684,444</u>	<u>\$ 91,368,687</u>	<u>\$ 10,588,445</u>
<u>Liabilities</u>				
Accounts payable	\$ 193,993	\$ 38,656	\$ 193,993	\$ 38,656
Salaries payable	111,767	46,652	111,767	46,652
Due to other governments	6,966,928	94,599,136	91,062,927	10,503,137
Total Liabilities	<u>\$ 7,272,688</u>	<u>\$ 94,684,444</u>	<u>\$ 91,368,687</u>	<u>\$ 10,588,445</u>

This page was left blank intentionally.

OTHER SCHEDULES

This page was left blank intentionally.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 10

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

	2003		2004		2005	
	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)
Tax Capacity						
Real property	\$ 23,130,027		\$ 25,097,854		\$ 28,553,836	
Personal property	608,809		709,788		769,916	
Less: tax increment	(310,733)		(317,260)		(303,358)	
Net Tax Capacity	\$ 23,428,103		\$ 25,490,382		\$ 29,020,394	
Taxes Levied for County Purposes						
General	\$ 9,449,150	35.515	\$ 10,039,238	36.162	\$ 10,272,077	32.069
Road and Bridge	2,400,000	9.021	2,400,000	8.645	2,900,000	9.054
Human Services	5,258,068	19.763	5,333,068	19.210	5,333,000	16.650
Health and Human Services	199,700	0.751	110,000	0.397	119,500	0.374
County Building	1,480,000	5.563	1,443,000	5.198	1,307,000	4.081
County Library*	220,200	1.218	226,500	1.186	242,400	1.096
Building Bonds Sinking	1,510,000	5.676	1,508,000	5.432	1,508,200	4.709
Capital Equipment	785,000	2.951	800,000	2.882	816,600	2.550
Rural Development Finance Authority	200,000	0.854	10,000	0.040	1,000	0.004
Kandiyohi Area Transit	6,000	0.026	6,000	0.024	6,000	0.021
Total Levy for County Purposes	\$ 21,508,118	81.338	\$ 21,875,806	79.176	\$ 22,505,777	70.608
Less Aids Payable by State**	(2,544,695)		(1,788,664)		(2,115,017)	
Net Levy for County Purposes	\$ 18,963,423		\$ 20,087,142		\$ 20,390,760	
Tax Capacity - Light and Power						
Assessed at 43%	\$ 20,596		\$ 21,226		\$ 22,028	
Assessed at 5%	2,621		2,523		2,784	
Total Tax Capacity - Light and Power	\$ 23,217		\$ 23,749		\$ 24,812	
Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)						
Assessed at 43%	\$ 27,248	131.004	\$ 27,505	129.584	\$ 25,970	117.896
Assessed at 5%	3,467	131.004	3,269	129.584	3,282	117.896
Total Light and Power Tax Levies	\$ 30,715		\$ 30,774		\$ 29,252	

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

**2005 aids payable by state are estimated.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

***Schedule 10
(Continued)***

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

	2003		2004		2005	
	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)
Special Assessments						
Ditch liens and assessments	<u>\$ 109,169</u>		<u>\$ 80,318</u>		<u>\$ 125,747</u>	
Sewer systems liens and assessments	<u>\$ 1,323,936</u>		<u>\$ 1,328,003</u>		<u>\$ 1,318,095</u>	
Sanitary landfill liens and assessments	<u>\$ 831,796</u>		<u>\$ 843,265</u>		<u>\$ 854,508</u>	
Percentage of Collections for All Purposes	98.25%		98.57%			

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 11

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2004**

	<u>Maturities</u>	<u>Rates (%)</u>	<u>Amount</u>
Pooled Deposits and Investments			
Checking accounts			
Bremer Bank of Willmar		0.15	\$ 1,102,144
US Bank of Willmar		0.10	374,872
EDC - Bremer Bank		0.00	<u>59,572</u>
Total checking accounts			<u>\$ 1,536,588</u>
Savings accounts			
Atwater State Bank		1.00	\$ 66,899
Heritage Bank, Raymond		0.50	74,160
First State Bank of Lake Lillian		0.75	14,834
Heritage Bank, Willmar		0.00	103,275
Home State Bank		0.30	18,488
Lake Region Bank		0.65	62,962
Prinsburg State Bank		0.50	21,398
Concorde Bank		0.79	93,412
United Minnesota Bank		0.50	20,584
United Prairie Bank		0.50	67,312
Wells Fargo		0.85	<u>14,236,050</u>
Total savings accounts			<u>\$ 14,779,374</u>
Certificates of deposit			
Bremer Bank of Willmar	February 20, 2005	1.85	\$ 500,000
Bank of the West of Worthington	February 27, 2005	2.81	<u>2,000,000</u>
Total certificates of deposit			<u>\$ 2,500,000</u>
Repurchase agreement			
Bremer Bank of Willmar		1.00	<u>\$ 10,760,450</u>
U.S. government securities			
Morgan Keegan	June 5, 2009	2.50	<u>\$ 497,030</u>
MAGIC Fund			
Cadre Financial Services		Various	<u>\$ 3,653,056</u>
Total pooled deposits and investments			<u>\$ 33,726,498</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

***Schedule 11
(Continued)***

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2004**

	<u>Maturities</u>	<u>Rates (%)</u>	<u>Amount</u>
Fund Deposits and Investments			
General Fund			
Certificates of deposit			
Atwater State Bank	January 10, 2005	1.85	\$ 100,671
Heritage Bank of Willmar	Various	0.50 to 1.00	334,339
Home State Bank - Kandiyohi	July 16, 2009	2.25	200,000
Bremer Bank	Various	2.25 to 3.00	<u>110,754</u>
Total certificates of deposit			\$ 745,764
U.S. government securities			
Morgan Keegan	Various	2.50 to 6.00	<u>2,023,935</u>
Total General Fund			\$ 2,769,699
Road and Bridge Special Revenue Fund			
Certificates of deposit			
Concorde Bank	March 29, 2005	1.60	<u>\$ 100,000</u>
U.S. government securities			
Milestone Financial Services	Various	2.00 to 5.00	\$ 2,875,640
Morgan Keegan	Various	3.35 to 6.00	<u>495,490</u>
Total U.S. government securities			\$ 3,371,130
Total Road and Bridge Special Revenue Fund			\$ 3,471,130
Sanitary Landfill/Recycling Center Special Revenue Fund			
U.S. government securities			
Milestone Financial Services	Various	2.29 to 2.375	\$ 8,899,220
Morgan Keegan	Various	2.00 to 7.50	900,657
Prudential Securities	Various	2.75 to 4.00	<u>442,810</u>
Total Sanitary Landfill/Recycling Center Special Revenue Fund			\$ 10,242,687
Capital Equipment Special Revenue Fund			
U.S. government securities			
Milestone Financial Services	Various	2.50 to 3.00	<u>\$ 2,992,035</u>
County Building Special Revenue Fund			
U.S. government securities			
Milestone Financial Services	November 24, 2009	3.00	\$ 996,880
Morgan Keegan	June 30, 2009	2.00	<u>148,407</u>
Total County Building Special Revenue Fund			\$ 1,145,287

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

***Schedule 11
(Continued)***

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2004**

	<u>Maturities</u>	<u>Rates (%)</u>	<u>Amount</u>
Fund Deposits and Investments (Continued)			
Ditch Special Revenue Fund			
Certificates of deposit			
United Prairie Bank	March 20, 2005	1.25	<u>\$ 175,000</u>
Eagle Lake Sewer Special Revenue Fund			
Certificates of deposit			
Bremer Bank of Willmar	Various	2.10 to 2.73	\$ 62,526
United Prairie Bank	April 9, 2005	1.60	<u>130,367</u>
Total Eagle Lake Sewer Special Revenue Fund			<u>\$ 192,893</u>
County Cemetery Investment Trust Fund			
Certificates of deposit			
Bremer Bank of Willmar	September 28, 2005	2.25	<u>\$ 25,000</u>
Taxes and Penalties Agency Fund			
Certificates of deposit			
Bremer Bank of Willmar	Various	2.10 to 4.25	<u>\$ 87,995</u>
Total fund deposits and investments			<u>\$ 21,101,726</u>
Total Deposits and Investments			<u>\$ 54,828,224</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2004**

	Assets					Due from Other Funds
	Treasurer's Cash	Investments	Special Assessments Receivable		Receivables	
	Balance		Delinquent	Deferred		
Judicial Ditches (Continued)						
#3 St & K	502	-	-	-	-	-
#3 Rep A, St & K	2,047	-	-	-	-	-
#7 C, K & R (& Rep F)	(54,823)	-	17	29,757	236	3,981
#7 Lat A, C, K & R	(3,100)	-	-	6,963	-	686
#7 Lat B, C, K & R	3,188	-	-	-	-	-
#7 Lat E, C, K & R	669	-	-	-	-	-
#10 R & K	225	-	-	-	-	-
#11 K & M	(11)	-	-	630	-	49
#16 R & K	(33,016)	-	-	19,500	-	2,145
#17 M & K	2,920	-	-	-	-	-
#17 Rep A, M & K	3,960	-	-	-	-	-
#17 Br 4 of Lat A, M & K	545	-	-	-	-	-
#17 Br 4 of Lat B, M & K	10,531	-	-	-	-	-
#18 Sw, K & C	(1,060)	-	4	1,844	28	145
#18 M & K	101	-	-	-	-	-
#18 Lat A, M & K	1,629	-	-	-	-	-
#18 Lat C, M & K - Construction	3,340	-	-	-	-	-
#19 Sw & K	146	-	-	-	-	-
#21 R, C & K	437	-	-	-	-	-
#21 Sw, K & C	1,009	-	58	-	-	-
#29 Rep B, R, M & K	119	-	-	-	-	-
Total	\$ 73,401	\$ 175,000	\$ 1,535	\$ 381,548	\$ 1,849	\$ 15,982

Schedule 12
(Continued)

Due from Other Governments	Total Assets	Liabilities				Fund Balances - Unreserved Undesignated	Total Liabilities and Fund Balances
		Payables	Due to Other Funds	Deferred Revenue	Total Liabilities		
160	662	400	350	-	750	(88)	662
-	2,047	-	-	-	-	2,047	2,047
43,239	22,407	68,780	-	10,821	79,601	(57,194)	22,407
1,424	5,973	434	-	4,298	4,732	1,241	5,973
-	3,188	71	-	-	71	3,117	3,188
648	1,317	887	-	-	887	430	1,317
-	225	-	-	-	-	225	225
506	1,174	76	529	54	659	515	1,174
10,137	(1,234)	-	100	14,225	14,325	(15,559)	(1,234)
561	3,481	280	-	-	280	3,201	3,481
-	3,960	-	-	-	-	3,960	3,960
-	545	-	-	-	-	545	545
-	10,531	-	-	-	-	10,531	10,531
2,014	2,975	77	-	823	900	2,075	2,975
-	101	40	-	-	40	61	101
10	1,639	866	-	-	866	773	1,639
-	3,340	1,613	-	-	1,613	1,727	3,340
-	146	-	-	-	-	146	146
-	437	3	-	-	3	434	437
1	1,068	9	-	58	67	1,001	1,068
-	119	7	-	-	7	112	119
\$ 91,768	\$ 741,083	\$ 103,269	\$ 13,264	\$ 256,216	\$ 372,749	\$ 368,334	\$ 741,083

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2004**

	Assets					
	Treasurer's	Special Assessments Receivable				Due from
	Cash Balance	Investments	Delinquent	Deferred	Receivables	Other Funds
County Ditches						
#7	\$ 1,224	\$ -	\$ -	\$ -	\$ -	\$ -
#7 Rep D	7,651	-	-	-	-	-
#8	(10,863)	-	-	17,396	-	116
#8A	(127)	-	-	-	-	-
#8 Lat A	(79)	-	-	604	-	-
#8 Lat B	20	-	-	-	-	-
#9	(1,374)	-	-	4,918	-	47
#9 Lat 1 Br A	23,055	-	-	-	-	-
#10 Impr C	718	-	-	-	-	-
#12	145	-	-	-	-	-
#15	(109)	-	-	612	-	-
#16A	526	-	-	1,947	-	278
#18A	(507)	-	-	2,148	-	189
#19	(65,391)	-	164	17,514	3	127
#20	1,726	-	-	-	-	-
#23A	(7,421)	-	13	4,921	23	716
#23A, Main & Br 1 Relocate	(17,307)	-	-	-	-	-
#24A	(31,322)	-	-	21,190	1	3,655
#24A Lat G	117	-	-	-	-	-
#24A Lat H	1,463	-	-	-	-	-
#24A Lat H-1	642	-	-	-	-	-
#24A Lat J	1,420	-	-	-	-	-
#26	(1,741)	-	16	2,325	-	119
#27	(2,702)	-	-	11,589	-	96
#28	97,468	-	-	-	-	-
#28 Impr Br 7	2,513	-	-	-	-	-
#28 Lat A Br 4	7,678	-	-	-	-	-
#28 Impr Br 5	119	-	-	-	-	-
#29	(9,574)	-	-	5,434	-	88
#31 Impr - Construction	133,975	125,000	-	-	443	-
#31 Lat A of Br 10 of Lat 10	633	-	-	-	-	-
#31 Lat A of Br 2 of Lat 10	12,870	-	-	-	-	-
#34	301	-	3	485	-	-
#37	(388)	-	319	-	-	-
#38	775	-	-	-	-	-
#40	424	-	-	-	-	-
#42	155	-	-	-	-	-
#43	45	-	-	-	-	-
#45	191	-	-	-	-	-
#46	(4,990)	-	-	1,867	25	135
#47	141	-	-	12,847	80	153
#48	1,743	-	-	-	-	-
#50	1,076	-	-	-	-	-
#51	(6,362)	-	-	7,318	-	89
#51 Lat A-1	(16,516)	-	-	8,069	-	779
#52	1,438	-	-	-	-	-

Schedule 12

			Liabilities				Fund Balances - Unreserved Undesignated	Total Liabilities and Fund Balances
	Due from Other Governments	Total Assets	Payables	Due to Other Funds	Deferred Revenue	Total Liabilities		
\$ -	\$ 1,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,224	\$ 1,224
-	7,651	-	-	-	-	-	7,651	7,651
624	7,273	-	1,420	4,882	6,302	971	7,273	7,273
220	93	-	-	-	-	93	93	93
71	596	-	-	76	76	520	596	596
-	20	-	-	-	-	20	20	20
12	3,603	-	-	2,489	2,489	1,114	3,603	3,603
-	23,055	-	-	-	-	23,055	23,055	23,055
-	718	-	444	-	444	274	718	718
-	145	-	-	-	-	145	145	145
-	503	-	850	211	1,061	(558)	503	503
435	3,186	-	616	988	1,604	1,582	3,186	3,186
733	2,563	-	-	307	307	2,256	2,563	2,563
443	(47,140)	-	-	10,176	10,176	(57,316)	(47,140)	(47,140)
-	1,726	-	-	-	-	1,726	1,726	1,726
8,454	6,706	-	970	1,749	2,719	3,987	6,706	6,706
-	(17,307)	2,694	-	-	2,694	(20,001)	(17,307)	(17,307)
3,301	(3,175)	24	-	17,745	17,769	(20,944)	(3,175)	(3,175)
-	117	-	-	-	-	117	117	117
-	1,463	-	-	-	-	1,463	1,463	1,463
-	642	-	-	-	-	642	642	642
-	1,420	-	-	-	-	1,420	1,420	1,420
-	719	-	-	654	654	65	719	719
165	9,148	-	-	3,064	3,064	6,084	9,148	9,148
-	97,468	-	-	-	-	97,468	97,468	97,468
-	2,513	-	-	-	-	2,513	2,513	2,513
-	7,678	-	-	-	-	7,678	7,678	7,678
-	119	-	-	-	-	119	119	119
137	(3,915)	-	-	815	815	(4,730)	(3,915)	(3,915)
-	259,418	-	369	-	369	259,049	259,418	259,418
-	633	-	-	-	-	633	633	633
-	12,870	-	-	-	-	12,870	12,870	12,870
33	822	-	563	186	749	73	822	822
-	(69)	-	1,774	252	2,026	(2,095)	(69)	(69)
-	775	-	-	-	-	775	775	775
-	424	-	-	-	-	424	424	424
-	155	-	-	-	-	155	155	155
-	45	-	-	-	-	45	45	45
-	191	-	-	-	-	191	191	191
12,604	9,641	9,693	364	530	10,587	(946)	9,641	9,641
472	13,693	-	591	2,684	3,275	10,418	13,693	13,693
-	1,743	-	-	-	-	1,743	1,743	1,743
-	1,076	-	-	-	-	1,076	1,076	1,076
144	1,189	-	-	3,115	3,115	(1,926)	1,189	1,189
444	(7,224)	-	-	4,952	4,952	(12,176)	(7,224)	(7,224)
-	1,438	-	-	-	-	1,438	1,438	1,438

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2004**

	Assets					Due from Other Funds
	Treasurer's Cash	Investments	Special Assessments Receivable		Receivables	
	Balance		Delinquent	Deferred		
County Ditches (Continued)						
#54	487	-	-	-	-	-
#54 Impr	14,469	-	-	11,972	-	-
#55	(18,838)	-	941	13,233	833	53
#56 Outlet	1,120	-	-	-	-	-
#58	909	-	-	-	-	-
#60	2,093	-	-	-	-	-
#61	743	-	-	-	-	-
#62	797	-	-	-	-	-
#63	547	-	-	-	-	-
#64	(21,963)	-	-	42,871	-	1,181
#65	557	-	-	6,198	-	-
State Ditch						
#1 Impr Div 2	140	-	-	-	-	-
Judicial Ditches						
#1 M & K	21,527	-	-	-	-	-
#1 Lat A, M & K	145	-	-	-	-	-
#1 Lat M & K	(56,919)	-	-	110,946	-	-
#1 Lat B, M & K	6,671	-	-	-	-	-
#1 Lat A of Lat B, M & K	9,812	-	-	-	-	-
#1 Br 4 of Lat B, M & K	1,744	-	-	-	-	-
#1 Lat C, M & K	580	-	-	-	-	-
#1 Lat D, M & K	597	-	-	-	-	-
#1 Lat E, M & K	2,268	-	-	-	-	-
#1 Br 2 of Lat F, M & K	(10,605)	-	-	10,710	-	927
#1 Lat G, M & K	3,726	-	-	-	-	-
#2 R & K	1,552	-	-	-	-	-
#2 Lat 3, R & K	800	-	-	-	-	-
#2 Lat 4, R & K	714	-	-	-	-	-
#2 Lat A of Lat 4, R & K	452	-	-	-	-	-
#2 Lat 5, R & K	73	-	-	-	-	-
#2 Lat 7, R & K	78	-	-	-	-	-
#2 Lat 8, R & K	1,082	-	-	-	-	-
#2 C & K	3,136	-	-	-	-	-
#2 St & K	211	-	-	-	-	-
#3 K & C	(3,522)	-	-	-	-	-
#3 Br E of Lat B, K & C	(447)	-	-	1,250	-	51
#3 Lat A of Lat B, K & C	18	-	-	1,502	-	69
#3 Lat C, C & K	183	-	-	-	-	-
#3 Lat D, C & K	43,103	50,000	-	-	177	-
#3 Impr Br 5 & 6, C & K	251	-	-	2,347	-	108
#3 Impr Br 7 & 8, C & K	39	-	-	641	-	-
#3 Impr Br 9, C & K	1,856	-	-	-	-	-
#3 Impr Br 10, C & K	227	-	-	-	-	-
#3 Br 10 of Lat A, C & K	151	-	-	-	-	-

Schedule 12
(Continued)

Due from Other Governments	Total Assets	Liabilities				Fund Balances - Unreserved Undesignated	Total Liabilities and Fund Balances
		Payables	Due to Other Funds	Deferred Revenue	Total Liabilities		
-	487	-	-	-	-	487	487
-	26,441	-	-	11,972	11,972	14,469	26,441
2,695	(1,083)	-	-	12,983	12,983	(14,066)	(1,083)
-	1,120	-	-	-	-	1,120	1,120
-	909	-	-	-	-	909	909
-	2,093	-	-	-	-	2,093	2,093
-	743	-	-	-	-	743	743
-	797	-	-	-	-	797	797
-	547	-	-	-	-	547	547
503	22,592	557	2,523	26,578	29,658	(7,066)	22,592
38	6,793	36	1,801	1,870	3,707	3,086	6,793
-	140	-	-	-	-	140	140
294	21,821	2,153	-	-	2,153	19,668	21,821
-	145	-	-	-	-	145	145
-	54,027	13,922	-	110,945	124,867	(70,840)	54,027
-	6,671	-	-	-	-	6,671	6,671
-	9,812	-	-	-	-	9,812	9,812
-	1,744	-	-	-	-	1,744	1,744
-	580	-	-	-	-	580	580
-	597	-	-	-	-	597	597
-	2,268	-	-	-	-	2,268	2,268
695	1,727	-	-	3,812	3,812	(2,085)	1,727
-	3,726	-	-	-	-	3,726	3,726
26	1,578	99	-	-	99	1,479	1,578
-	800	-	-	-	-	800	800
-	714	-	-	-	-	714	714
-	452	-	-	-	-	452	452
-	73	-	-	-	-	73	73
-	78	-	-	-	-	78	78
-	1,082	-	-	-	-	1,082	1,082
-	3,136	439	-	-	439	2,697	3,136
-	211	-	-	-	-	211	211
-	(3,522)	-	-	-	-	(3,522)	(3,522)
100	954	-	-	981	981	(27)	954
188	1,777	6	-	531	537	1,240	1,777
7	190	73	-	-	73	117	190
137	93,417	-	-	-	-	93,417	93,417
12	2,718	-	-	1,217	1,217	1,501	2,718
81	761	-	-	173	173	588	761
-	1,856	-	-	-	-	1,856	1,856
-	227	14	-	-	14	213	227
-	151	16	-	-	16	135	151

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 13

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Total Primary Government	Housing and Redevelopment Authority Component Unit
Shared Revenue		
State		
Highway users tax	\$ 4,839,664	\$ -
County program aid	1,788,664	-
Market value credit	1,994,534	-
PERA rate reimbursement	73,608	-
Disparity reduction aid	21,488	-
Police aid	149,299	-
State financing revenue	49,006	-
Enhanced 911	61,387	-
	\$ 8,977,650	\$ -
Total Shared Revenue		
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 3,047,266	\$ -
	\$ 3,047,266	\$ -
Payments		
Local		
Payments in lieu of taxes	\$ 177,149	\$ -
Other	1,835	-
	\$ 178,984	\$ -
Total Payments		
Grants		
State		
Minnesota Department/Board of		
Commerce	\$ 16,370	\$ -
Education	455,698	-
Corrections	795,754	-
Public Safety	20,753	-
Health	199,373	-
Natural Resources	58,510	-
Human Services	2,253,392	-
Water and Soil Resources	93,037	-
Veterans Affairs	15,778	-
Office of Environmental Assistance	94,981	-
Pollution Control Agency	15,409	-
	\$ 4,019,055	\$ -
Total State		

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**Schedule 13
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Total Primary Government	Housing and Redevelopment Authority Component Unit
	<hr/>	<hr/>
Grants (Continued)		
Federal		
Department of		
Agriculture	\$ 237,482	\$ -
Housing and Urban Development	-	1,206,597
Justice	98,590	-
Labor	240,948	-
Transportation	62,611	-
Health and Human Services	1,713,162	-
Homeland Security	85,088	-
	<hr/>	<hr/>
Total Federal	\$ 2,437,881	\$ 1,206,597
	<hr/>	<hr/>
Total State and Federal Grants	\$ 6,456,936	\$ 1,206,597
	<hr/>	<hr/>
Total Intergovernmental Revenue	\$ 18,660,836	\$ 1,206,597
	<hr/> <hr/>	<hr/> <hr/>

This page was left blank intentionally.

This page was left blank intentionally.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 14

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of Kandiyohi County.
- B. Reportable conditions in internal control were disclosed by the audit of financial statements of Kandiyohi County and are reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Kandiyohi County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Kandiyohi County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
 - Employment and Training Administration Pilots,
 - Demonstrations, and Research Projects
 - Temporary Assistance for Needy Families
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Kandiyohi County was determined to be a low-risk auditee.

CFDA #17.261
CFDA #93.558

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-8 Departmental Internal Accounting Control

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

Control procedures which the County should consider include management's determination that:

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

We recommend Kandiyohi County's management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff.

Client's Response:

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

96-10 Disaster Recovery Plan

The County does not have formal, Board-approved procedures for continued operations in the event of a disaster or major computer breakdown. In the event of a disaster or major computer breakdown, the absence of a plan prevents a timely recovery of vital information and adds to the cost of any interruption.

We urge the County to complete a disaster recovery plan. Some common items found in a disaster recovery plan include, but are not limited to:

- a detailed list of recovery procedures,
- a time line of when procedures will take place,
- identification of a disaster recovery team,
- a list of emergency telephone numbers,
- responsibilities of the disaster recovery team,
- hardware configuration and minimum equipment requirements,
- a master operations schedule and a critical job schedule,
- a list of vendor contacts,
- an information services organization chart and a directory of personnel,
- information relative to off-site back-up storage facilities, and
- any agreements regarding hot or cold sites or back-up processing sites.

The plan should be written and approved by the Board of County Commissioners and a copy stored at an off-site facility.

Client's Response:

Kandiyohi County's Communication/Computer Systems Director continues to work on a new disaster recovery plan that will be finalized by the Kandiyohi County Board of Commissioners.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

**Eligibility - Child Care Mandatory and Matching Funds (CFDA #93.596)
(03-1)**

Kandiyohi County did not document that it verified residence, identity of adults, and age as required by Minnesota Rules, part 3400.0040, subpart 3, item A, and Minn. Stat. § 119B.025, enacted in 2003. This reverification should be accomplished by obtaining documentation such as drivers' licenses, birth certificates, baptismal certificates, and a bill that states address or another similar form of residence verification.

Resolution

Kandiyohi County now obtains the required documents to verify residence, identity of adults, and age.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Cash Overdrafts

At December 31, 2004, the Capital Projects Fund had a cash overdraft of \$1,485,283.

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

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

Client's Response:

The Kandiyohi County Board of Commissioners will review the status of the Capital Projects Fund; and, if necessary, an interfund transfer will be made in December 2005.

96-3 Individual Ditch System Cash Deficits

Twenty-eight of the 109 individual ditch systems had deficit cash balances as of December 31, 2004, totaling \$381,077. Minn. Stat. § 385.31 permits the payment of expenditures provided there is money in that fund for that purpose. It also provides that warrants are to be registered if a specific fund has insufficient funds to pay for expenditures incurred against it. Minn. Stat. § 103E.655, subd. 2, allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay expenditures against it. Any such loans must be repaid with interest. Allowing any ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from funds of the County and, as such, is in noncompliance with Minnesota law.

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

Client's Response:

In 2005, one-year ditch repair liens will be levied.

96-5 Compliance with Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989

The County did not have documentation demonstrating that it had a perfected security interest in pledged collateral in compliance with FIRREA, 12 U.S.C. § 1823(e). A 1992 U.S. Court of Appeals decision stated that, if a municipality fails to perfect a security interest under federal law, its right to such collateral in the event of default is not enforceable. To obtain an enforceable security interest in the collateral, FIRREA requires the pledging institution's security agreement or pledge of collateral to meet certain requirements.

We recommend that when the County receives the written collateral assignment, it also review the assignment to determine that:

- the assignment is approved by the depository's Board of Directors or loan committee, and
- the assignment of collateral is continuously, from the time of its execution, an official record of the depository.

We also recommend the County require its depository institutions to comply with FIRREA and to provide proof of compliance in the form of a copy of the depository's Board of Directors or loan committee resolution. The agreement or pledge should include a list of particular securities pledged at the time of the resolution.

Client's Response:

The County Auditor/Treasurer will obtain documentation as required by FIRREA, and also require documentation to protect the security interest whenever collateral is pledged to secure deposits in excess of depository insurance.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-11 Ditch Special Revenue Fund - Equity Balance Deficits

Eighteen of the 109 individual ditch systems had deficit unreserved, undesignated fund balances as of December 31, 2004, totaling \$291,139. Minn. Stat. § 103E.735, subd. 1, provides that a repair fund may be established for any ditch system, not to exceed 20 percent of the assessed benefits of the ditch system, or \$40,000, whichever is larger.

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

Client's Response:

In 2005, one-year ditch repair liens will be levied.

96-12 Stale Checks on Bank Reconciliations

During our review of the bank reconciliations, we noticed outstanding checks over one year old, with some as old as three years. Having outstanding checks on the bank reconciliations for that period of time makes the reconciliations cumbersome and overly complicated.

We recommend the County develop a policy by which it writes stale checks back into the cashbook and maintains a listing of unclaimed property so as to dispose of it according to Minn. Stat. §§ 345.41 - 345.43.

Client's Response:

The County Auditor/Treasurer will develop a policy regarding stale checks and maintain a listing of unclaimed property in accordance with Minn. Stat. §§ 345.41-.43.

00-2 Capital Asset Accounting System

Governmental Accounting Standards Board (GASB) Statement 34 requires governments to include capital assets, including infrastructure assets, on the statement of net assets and to report depreciation expenses for those assets on the statement of activities. In addition, capital outlay expenditures in a governmental fund's statement of revenues and expenditures is eliminated in the statement of activities.

The capital asset accounting system should be interfaced with the general ledger so that the capital asset inventory can be updated automatically on an ongoing basis. The general ledger should contain features that prompt the user to provide the additional information when expenditures are recorded to capital outlay accounts. These features will assist the County in complying with the requirements of GASB Statement 34.

The County's current system used to account for its capital assets is not interfaced with its general ledger; therefore, capital assets purchased are not recorded in the capital asset system when the expenditures are recorded in the general ledger. Generally, purchases of capital assets are recorded manually on the capital asset system after year-end. At that time, County personnel analyze all capital outlay and maintenance expenditure accounts for additions and obtain corroborating information from departments to determine total assets purchased.

We recommend that the County Board take steps to have the capital asset system interfaced with the general ledger.

Client's Response:

Kandiyohi County is scheduled to complete the Capital Asset Accounting System by December 31, 2005.

02-2

Annual Financial Report

Kandiyohi County has a responsibility to prepare financial statements and publish them for its citizens and others. In previous years, the Office of the State Auditor (OSA) has helped the County to prepare its annual financial report. The annual financial report includes financial statements, related notes to the financial statements, and schedules.

A step in preparing financial statements is the preparation of schedules and worksheets to summarize the County's financial record accounts for the financial report. For example, the records of the County could have several different receivable or revenue accounts combined into one line for financial reporting. Also, accounts need to be analyzed to decide if revenue should be accrued for receipts received after year-end or payables accrued for expenditures made after year-end.

Currently, Kandiyohi County staff prepare only limited amounts of information for the financial statements. This includes summarizing each fund's cash transactions in the format for financial presentation in a trial balance and summarizing capital assets. OSA staff provided nonaudit services for other information necessary for preparation of the annual financial report such as summarizing long-term debt and converting the cash basis information to modified or full accrual.

Changes to *Government Auditing Standards*, issued by the Comptroller General of the United States, required the OSA to reassess the nonaudit services it provides to its audit clients. The primary effect of the change in *Government Auditing Standards* on the County is that the County needs to prepare the summary schedules of receivables and payables, classify its accounts for the financial statements, prepare the trial balances for audit, and make all policy decisions. Using this information, the OSA may continue to provide technical assistance in the preparation of financial statements.

Schedule 14
(Continued)

We recognize that the County has made tremendous progress in preparing information needed for the audit. However, the auditors were still required to provide technical assistance in completing the annual financial report. We recommend that the County Board ensure that staff assigned to prepare the necessary information have the time necessary to complete the information needed for the annual financial report by the date mutually agreed to with the OSA.

Client's Response:

Kandiyohi County is working with Computer Professionals Unlimited, Inc., in developing programs that will assist in the preparation of the Annual Financial Statements.

This page was left blank intentionally.

OTHER REQUIRED REPORTS

This page was left blank intentionally.



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Kandiyohi County

We have audited the financial statements of Kandiyohi County as of and for the year ended December 31, 2004, and have issued our report thereon dated August 29, 2005. Those financial statements include the discretely presented component unit activity of the Kandiyohi County Housing and Redevelopment Authority (HRA) for the year ended June 30, 2004, whose financial statements were audited by 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. A separate report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* issued by other auditors for the HRA is available.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kandiyohi County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 96-8 and 96-10.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe neither of the reportable conditions indicated above is a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Kandiyohi County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 96-1, 96-3, and 96-5.

This report is intended solely for the information and use of the Board of County Commissioners and management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 29, 2005

This page was left blank intentionally.



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Kandiyohi County

Compliance

We have audited the compliance of Kandiyohi County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Kandiyohi County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Kandiyohi County's financial statements include the activities of the Kandiyohi County Housing and Redevelopment Authority (HRA), a component unit, which expended \$1,206,597 in federal awards during the year ended June 30, 2004. The HRA's federal awards are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the activities of the HRA because other auditors were engaged to perform a separate Single Audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about Kandiyohi County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Kandiyohi County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Kandiyohi County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not be necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Kandiyohi County as of and for the year ended December 31, 2004, and have issued our report thereon dated August 29, 2005. Those financial statements also include the activities of the Kandiyohi County HRA discretely presented component unit for the year ended June 30, 2004, whose financial statements were audited by other auditors. Our audit was performed 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 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 29, 2005

This page was left blank intentionally.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 15

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture			
Direct			
Conservation Reserve Program	10.069	\$ 18,909	\$ -
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	194,372	-
Passed Through Minnesota Department of Human Services Administrative Matching Grants for Food Stamp Program	10.561	<u>24,201</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>\$ 237,482</u>	<u>\$ -</u>
U.S. Department of Justice			
Direct			
Public Safety Partnership and Community Policing Grants	16.710	\$ 71,186	\$ -
Passed Through Minnesota Department of Public Safety Juvenile Accountability Incentive Block Grant	16.523	<u>27,404</u>	<u>-</u>
Total U.S. Department of Justice		<u>\$ 98,590</u>	<u>\$ -</u>
U.S. Department of Labor			
Direct			
Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261	<u>\$ 240,948</u>	<u>\$ 31,247</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 39,633	\$ -
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	<u>22,978</u>	<u>-</u>
Total U.S. Department of Transportation		<u>\$ 62,611</u>	<u>\$ -</u>
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health Immunization Grants	93.268	\$ 400	\$ -
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	74,323	-
Maternal and Child Health Services Block Grant	93.994	57,641	-

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Schedule 15
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)			
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	45,874	-
Temporary Assistance for Needy Families	93.558	526,465	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	318,626	-
Children's Justice Grants to States	93.643	6,273	-
Foster Care Title IV-E	93.658	280,903	-
Social Services Block Grant Title XX	93.667	365,114	-
Chafee Foster Care Independence Program	93.674	26,447	-
Community Mental Health Services Block Grant	93.958	11,096	-
Total U.S. Department of Health and Human Services		\$ 1,713,162	\$ -
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 5,000	\$ -
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	54,624	-
Emergency Management Performance Grants	97.042	25,371	-
State and Local All Hazards Emergency Operations Planning	97.051	93	-
Total U.S. Department of Homeland Security		\$ 85,088	\$ -
Total Federal Awards		\$ 2,437,881	\$ 31,247

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Kandiyohi County. The County's reporting entity is defined in Note 1 to the basic financial statements. The schedule does not include \$1,206,597 in federal awards expended by the Kandiyohi County HRA component unit, which has a separate single audit performed by other auditors.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. Pass-through grant numbers were not assigned by the pass-through agencies.