STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension – monitors investment, financial, and actuarial reporting for approximately 600 public pension funds; and

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

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

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KANDIYOHI COUNTY
WILLMAR, MINNESOTA

Year Ended December 31, 2018

Audit Practice Division
Office of the State Auditor
State of Minnesota

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KANDIYOHI COUNTY
WILLMAR, MINNESOTA

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Introductory Section

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

ORGANIZATION
2018

Office	Name	Term of Office From	Term of Office To
Commissioners			
1st District	Jim Butterfield	January 2015	January 2019
2nd District	Steve Ahmann	January 2017	January 2021
3rd District	Roland Nissen*	January 2015	January 2019
4th District	Roger Imdieke	January 2017	January 2021
5th District	Harlan Madsen**	January 2017	January 2021
Officers			
Elected			
Attorney	Shane Baker	January 2015	January 2019
Sheriff	Dan Hartog	January 2015	January 2019
Appointed			
Administrator	Larry Kleindl	Indefinite	
Assessor	Valora Svor	November 2017	November 2021
Auditor/Treasurer	Mark Thompson	Indefinite	
Recorder	Julie Kalkbrenner	Indefinite	
Registrar of Titles	Julie Kalkbrenner	Indefinite	
Examiner of Titles	Brad Schmidt	Indefinite	
Public Works Director	Melvin Odens	September 2015	September 2019
Veterans Service Officer	Trisha Appledorn	January 2015	January 2019
Human Services Director	Jennifer Lippert	Indefinite	
Medical Examiner	Richard Kacher	January 2015	January 2019
Surveyor	Duane Bonnema	Indefinite	
Community Corrections Director	Tami Jo Lieberg	Indefinite	

*Chair
**Vice Chair

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Financial Section

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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525 PARK STREET
SAINT PAUL, MN 55103-2139

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state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Kandiyohi County
Willmar, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County, Minnesota, as of and for the year ended December 31, 2018, including the Kandiyohi County Housing and Redevelopment Authority (HRA) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County as of December 31, 2018, including the Kandiyohi County HRA as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.D.14. to the financial statements, in 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2019, on our consideration of Kandiyohi County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kandiyohi County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kandiyohi County's internal control over financial reporting and compliance. It does not include the Kandiyohi County HRA, which was audited by other auditors.

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

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 18, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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KANDIYOHI COUNTY
WILLMAR, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(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, 2018. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements (beginning with Exhibit 1).

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $194,745,708, of which $146,127,489 is the net investment in capital assets, and $18,449,035 is restricted to specific purposes.

- Kandiyohi County's net position increased by $10,554,488 for the year ended December 31, 2018. The net position of the County's discretely presented component unit increased by $15,764.

- The net cost of governmental activities was $29,094,451 for the current fiscal year. The net cost was funded by general revenues and other items totaling $39,965,814.

- Governmental funds' net change in fund balances was an increase of $5,330,508.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

- Governmental activities—The County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.

- Component units—The County includes one separate legal entity in its report. The Kandiyohi County Housing and Redevelopment Authority is presented in a separate column. Although legally separate, this component unit is important because the County is financially accountable for it.

Fund Financial Statements

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

- Governmental funds—The County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

- Fiduciary funds—The County is an agent for individuals, private organizations, other governments, or other funds. All of the County's fiduciary activities are reported in the Statement of Fiduciary Net Position on Exhibit 7. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was $194,745,708 on December 31, 2018. (See Table A-1.)

Table A-1
Net Position

	Governmental Activities		Percent (%)
	2018	2017	Change
Assets			
Current and other assets	$ 91,736,347	$ 90,136,814	1.8
Capital assets	171,106,433	167,945,694	1.9
Total Assets	$ 262,842,780	$ 258,082,508	1.8
Deferred Outflows of Resources			
Deferred other postemployment benefits outflows	$ 56,250	$ -	100.0
Deferred pension outflows	8,098,036	12,143,632	(33.3)
Total Deferred Outflows of Resources	$ 8,154,286	$ 12,143,632	(32.9)

	Governmental Activities 2018	Governmental Activities 2017	Percent (%) Change
Liabilities			
Current liabilities	$ 3,529,683	$ 3,219,531	9.6
Long-term liabilities	59,317,375	69,208,090	(14.3)
Total Liabilities	$ 62,847,058	$ 72,427,621	(13.2)
Deferred Inflows of Resources			
Prepaid property taxes	$ -	$ 1,988,986	(100.0)
Advance from other governments	669,891	-	100.0
Deferred pension inflows	12,734,409	10,364,004	22.9
Total Deferred Inflows of Resources	$ 13,404,300	$ 12,352,990	8.5
Net Position			
Net investment in capital assets	$ 146,127,489	$ 138,306,527	5.7
Restricted	18,449,035	18,859,449	(2.2)
Unrestricted	30,169,184	28,279,553	6.7
Total Net Position, as reported	$ 194,745,708	$ 185,445,529	5.0
Change in accounting principle*		(1,254,309)	
Total Net Position, as restated		$ 184,191,220	

*The January 1, 2018, net position was decreased by $1,254,309 to adopt new accounting guidance by implementing the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Changes in Net Position

The County-wide total revenues were $80,690,329 for the year ended December 31, 2018. Taxes and intergovernmental revenues accounted for 71.6 percent of total revenues for the year. (See Figures A-3 and A-4.)

Table A-2
Changes in Net Position

	Governmental Activities for Fiscal Year Ended December 31		Total Percent (%) Change
	2018	2017	
Revenues			
Program revenues			
Fees, charges, fines, and other	$ 17,737,536	$ 18,190,589	(2.5)
Operating grants and contributions	22,078,281	21,010,153	5.1
Capital grants and contributions	908,698	2,073,134	(56.2)
General revenues			
Taxes	34,595,474	32,078,296	7.8
Grants and contributions not restricted to specific programs	2,502,011	2,356,093	6.2
Investment earnings	954,020	902,209	5.7
Other	1,914,309	2,167,516	(11.7)
Total Revenues	$ 80,690,329	$ 78,777,990	2.4
Expenses			
General government	$ 11,839,412	$ 11,046,902	7.2
Public safety	15,661,378	17,728,013	(11.7)
Highways and streets	10,010,516	11,445,522	(12.5)
Sanitation	6,469,164	6,522,854	(0.8)
Human services	17,733,339	16,792,487	5.6
Health	2,405,384	2,611,530	(7.9)
Culture and recreation	1,697,153	1,578,587	7.5
Conservation of natural resources	3,351,680	4,143,063	(19.1)
Economic development	33,117	41,952	(21.1)
Interest	617,823	730,468	(15.4)
Total Expenses	$ 69,818,966	$ 72,641,378	(3.9)
Change in Net Position Before Special Item	$ 10,871,363	$ 6,136,612	77.2
Special item – Transfer of Operations to the City of Willmar	(316,875)	-	
Change in Net Position	$ 10,554,488	$ 6,136,612	
Beginning Net Position, as restated	184,191,220*	179,308,917	
Ending Net Position	$ 194,745,708	$ 185,445,529	

*Amount includes a change in accounting principles.

Figure A-3
Sources of County Revenues for Fiscal Year 2018

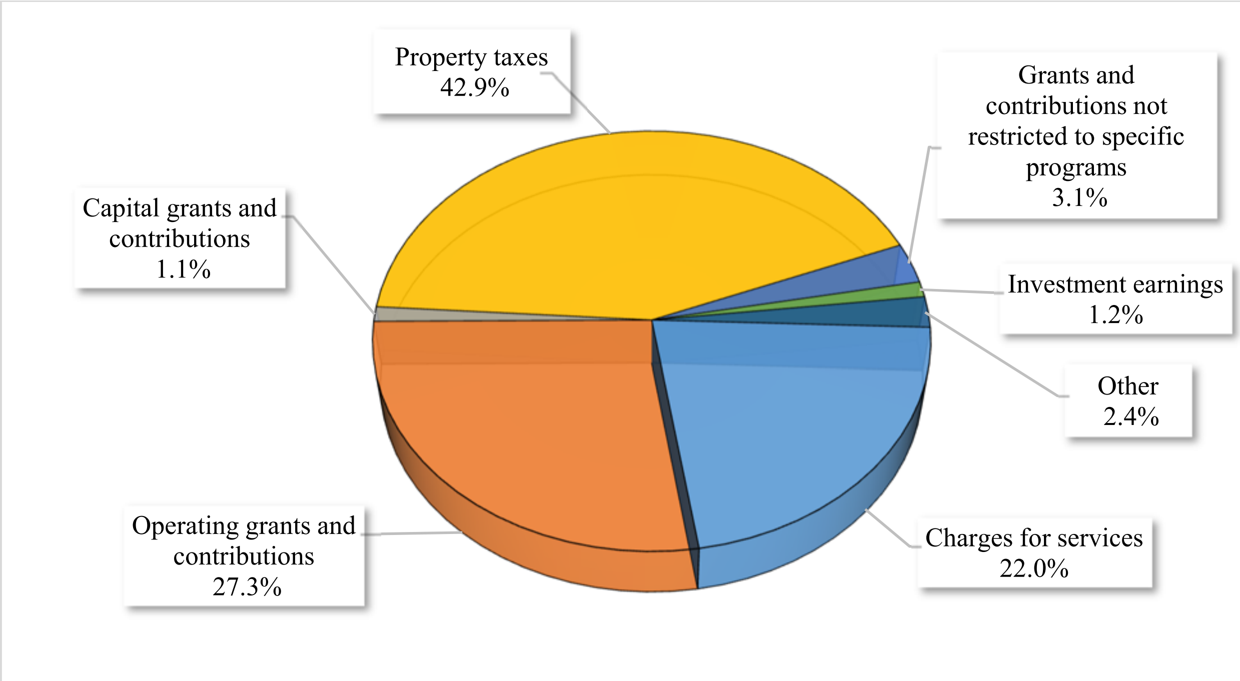
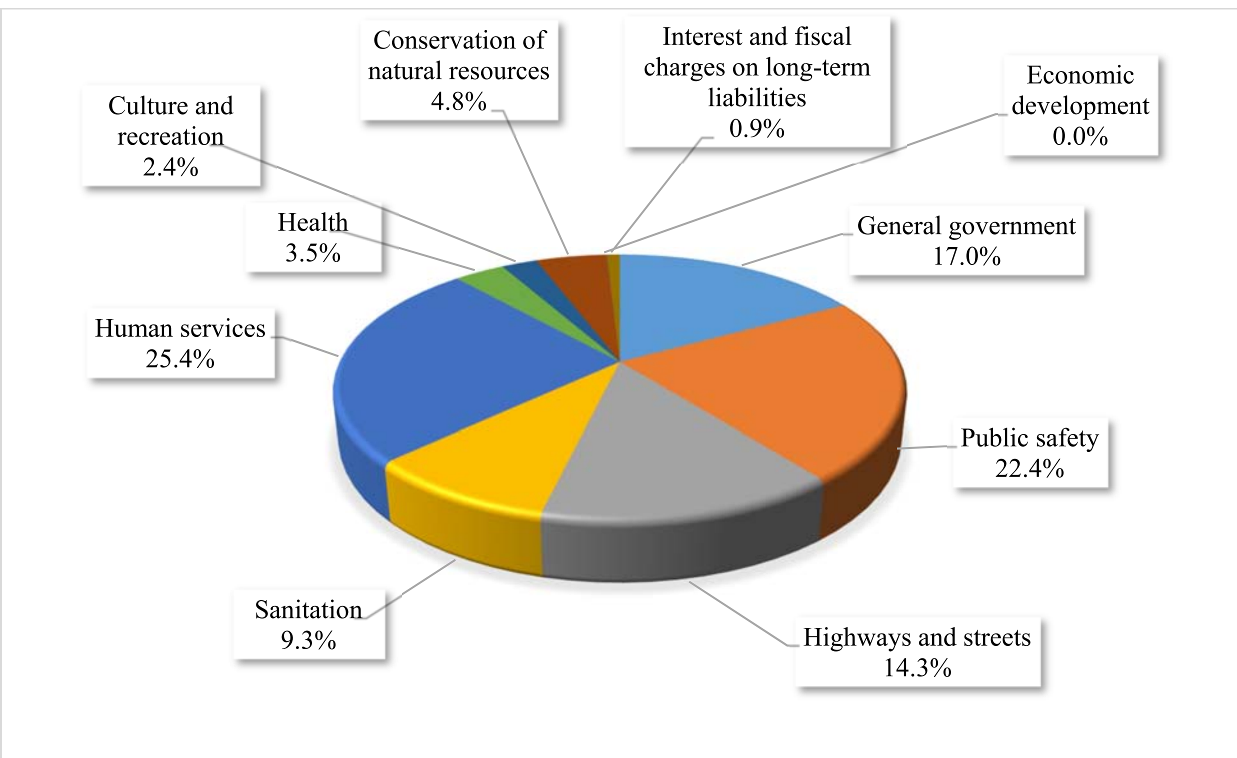


Figure A-4
Sources of County Expenses for Fiscal Year 2018



Total revenues surpassed expenses, increasing net position $10,871,363 over last year.

The County-wide cost of all governmental activities this year was $69,818,966.

- Some of the cost was paid by the users of the County's programs ($17,737,536).

- The federal and state governments subsidized certain programs with grants and contributions ($22,986,979).

- Some of the County's costs ($29,094,451), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with $34,595,474 in property and other taxes; and $5,370,340 of state aid, investment earnings, and other general revenues.

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

Table A-5
Governmental Activities

	Total Cost of Services		Percent (%)	Net Cost of Services		Percent (%)
	2018	2017	Change	2018	2017	Change
General government	$ 11,839,412	$ 11,046,902	7.2	$ 8,662,465	$ 8,278,298	4.6
Public safety	15,661,378	17,728,013	(11.7)	11,109,600	13,524,023	(17.9)
Highways and streets	10,010,516	11,445,522	(12.5)	(107,619)	274,090	(139.3)
Sanitation	6,469,164	6,522,854	(0.8)	(1,334,600)	(1,648,736)	19.1
Human services	17,733,339	16,792,487	5.6	6,689,270	6,687,162	0.0
Health	2,405,384	2,611,530	(7.9)	782,343	707,471	10.6
Culture and recreation	1,697,153	1,578,587	7.5	922,941	1,136,976	(18.8)
Conservation of natural resources	3,351,680	4,143,063	(19.1)	1,719,111	1,635,798	5.1
Economic development	33,117	41,952	(21.1)	33,117	41,952	(21.1)
Interest	617,823	730,468	(15.4)	617,823	730,468	(15.4)
Total	$ 69,818,966	$ 72,641,378	(3.9)	$ 29,094,451	$ 31,367,502	(7.2)

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 $72,999,528.

Revenues for the County's governmental funds were $83,276,213, while total expenditures were $77,984,857. During 2018, the County also issued loans which are included in other financing sources and uses.

GENERAL FUND

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

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

Table A-6
General Fund Revenues

	Year Ended December 31		Change	
	2018	2017	Increase (Decrease)	Percent (%)
Taxes	$ 17,084,226	$ 16,750,903	$ 333,323	2.0
Intergovernmental	5,290,162	5,113,243	176,919	3.5
Charges for services	5,524,537	4,841,133	683,404	14.1
Investment earnings	797,489	447,742	349,747	78.1
Miscellaneous and other	2,530,101	1,997,112	532,989	26.7
Total General Fund Revenues	$ 31,226,515	$ 29,150,133	$ 2,076,382	7.1

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

Table A-7
General Fund Expenditures

	Year Ended December 31		Change	
	2018	2017	Increase (Decrease)	Percent (%)
General government	$ 9,872,683	$ 8,830,114	$ 1,042,569	11.8
Public safety	15,310,642	15,093,102	217,540	1.4
Health	2,439,380	2,485,317	(45,937)	(1.8)
Culture and recreation	801,756	511,303	290,453	56.8
Conservation of natural resources	1,776,453	2,463,413	(686,960)	(27.9)
Economic development	33,117	41,952	(8,835)	(21.1)
Debt service	352,400	309,324	43,076	13.9
Total General Fund Expenditures	$ 30,586,431	$ 29,734,525	$ 851,906	2.9

General Fund Budgetary Highlights

- Actual revenues were $4,788,293 more than budgeted.
- Actual expenditures were $3,409,031 more than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018, the County had invested $248,548,219 in a broad range of capital assets, including land, landfill, buildings, computers, equipment, and infrastructure. (See Table A-8.) (More detailed information about capital assets can be found in Note 3.A.3. to the financial statements.) Total depreciation expense for the year was $5,831,213.

Table A-8
Capital Assets

	2018	2017	Percent (%) Change
Land	$ 6,958,436	$ 6,640,261	4.8
Landfill	10,929,750	10,561,661	3.5
Infrastructure	154,092,343	142,065,549	8.5
Buildings	46,259,938	46,244,438	-
Machinery, vehicles, furniture, and equipment	21,100,739	20,185,677	4.5
Construction in progress	8,891,531	13,907,980	(36.1)
Software	315,482	315,482	-
Less: accumulated depreciation	(77,441,786)	(71,975,354)	7.6
Total Capital Assets	$ 171,106,433	$ 167,945,694	1.9

Debt

At year-end, the County had outstanding debt of $27,102,024 versus $31,713,109 last year, a decrease of 14.5 percent, as shown in Table A-9.

Table A-9
Outstanding Debt

	2018	2017	Percent (%) Change
General obligation bonds	$ 11,070,000	$ 12,940,000	(14.5)
Special assessment bonds	7,625,000	8,670,000	(12.1)
Capital lease	-	450,827	(100.0)
Deferred (discount) premiums	340,397	426,036	(20.1)
Loans payable	8,066,627	9,226,246	(12.6)
Total Outstanding Debt	$ 27,102,024	$ 31,713,109	(14.5)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government Governmental Activities	Component Unit Kandiyohi County Housing and Redevelopment Authority
Assets		
Current assets		
Cash and investments	$ 73,350,898	$ 2,607,426
Taxes receivable	475,913	272,987
Special assessments receivable	75,557	-
Accounts receivable	415,146	55,104
Accrued interest receivable	206,284	-
Due from other governments	4,822,825	-
Current portion of notes receivable	-	69,856
Current portion of long-term receivable	18,667	-
Rent receivable	-	22,292
Inventories	434,410	-
Prepaid items	-	61,070
Noncurrent assets		
Special assessments receivable	10,206,402	-
Accounts receivable	1,678,913	-
Notes receivable	-	640,957
Long-term receivable	51,332	-
Restricted assets		
Cash and pooled investments	-	446,951
Capital assets		
Non-depreciable	15,849,967	1,175,401
Depreciable – net of accumulated depreciation	155,256,466	4,497,562
Total Assets	**$ 262,842,780**	**$ 9,849,606**
Deferred Outflows of Resources		
Deferred other postemployment benefits outflows	$ 56,250	$ -
Deferred pension outflows	8,098,036	-
Total Deferred Outflows of Resources	**$ 8,154,286**	**$ -**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government Governmental Activities	Component Unit Kandiyohi County Housing and Redevelopment Authority
Liabilities		
Current liabilities		
Accounts payable	$ 1,115,071	$ 65,569
Salaries payable	1,283,796	162,250
Accrued payroll and payroll taxes	-	3,253
Contracts payable	361,117	-
Due to other governments	393,757	-
Accrued interest payable	239,165	3,599
Unearned revenue	136,777	18,870
Restricted liabilities payable from restricted assets		
Security deposits	-	76,440
Long-term liabilities		
Due within one year	4,597,659	57,578
Due in more than one year	35,051,838	2,993,190
Net pension liability	18,544,524	-
Other postemployment benefits liability	1,123,354	-
Total Liabilities	**$ 62,847,058**	**$ 3,380,749**
Deferred Inflows of Resources		
Prepaid property taxes	$ -	$ 307,500
Advance from other governments	669,891	-
Deferred pension inflows	12,734,409	-
Total Deferred Inflows of Resources	**$ 13,404,300**	**$ 307,500**
Net Position		
Net investment in capital assets	$ 146,127,489	$ 2,624,195
Restricted for		
General government	493,858	-
Public safety	1,597,956	-
Highways and streets	1,536,727	-
Sanitation	8,634,772	-
Conservation of natural resources	665,312	-
Debt service	5,520,410	-
Other purpose	-	345,182
Unrestricted	30,169,184	3,191,980
Total Net Position	**$ 194,745,708**	**$ 6,161,357**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

		Expenses		Fees, Charges, Fines, and Other
Functions/Programs				
Primary government				
Governmental activities				
General government	$	11,839,412	$	2,574,581
Public safety		15,661,378		3,089,059
Highways and streets		10,010,516		1,103,405
Sanitation		6,469,164		7,596,586
Human services		17,733,339		1,098,199
Health		2,405,384		373,585
Culture and recreation		1,697,153		698,234
Conservation of natural resources		3,351,680		1,203,887
Economic development		33,117		-
Interest		617,823		-
Total Primary Government	**$**	**69,818,966**	**$**	**17,737,536**
Component unit				
Kandiyohi County Housing and Redevelopment Authority	**$**	**4,349,287**	**$**	**1,600,584**

General Revenues
Property taxes, levied for general purposes
Gravel taxes
Mortgage registry and deed tax
Transit sales and use tax
Wheelage tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
Gain on sale of capital assets
Special Item (Note 3.D.)
Transfer of operations to the City of Willmar

Total general revenues and special item

Change in net position

Net Position – Beginning, as previously reported
Prior period adjustment (Notes 1.D.14. and 5.L.)

Net Position – Beginning

Net Position – Ending

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

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Discretely Presented Component Unit
$ 602,366	$ -	$ (8,662,465)	
1,462,719	-	(11,109,600)	
8,106,032	908,698	107,619	
207,178	-	1,334,600	
9,945,870	-	(6,689,270)	
1,249,456	-	(782,343)	
75,978	-	(922,941)	
428,682	-	(1,719,111)	
-	-	(33,117)	
-	-	(617,823)	
$ 22,078,281	**$ 908,698**	**$ (29,094,451)**	
$ 2,712,970	**$ -**		**$ (35,733)**
		$ 32,065,035	$ -
		68,224	-
		40,859	-
		1,737,335	-
		437,549	-
		246,472	-
		2,502,011	-
		954,020	51,497
		1,892,197	-
		22,112	-
		(316,875)	-
		$ 39,648,939	**$ 51,497**
		$ 10,554,488	**$ 15,764**
		$ 185,445,529	$ 6,567,069
		(1,254,309)	(421,476)
		$ 184,191,220	**$ 6,145,593**
		$ 194,745,708	**$ 6,161,357**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Road and Bridge	Human Services
Assets			
Cash and investments	$ 19,557,159	$ 11,177,464	$ 7,251,867
Taxes receivable			
Delinquent	249,281	65,911	105,811
Special assessments			
Delinquent	47,101	-	-
Noncurrent	1,309,224	-	-
Accounts receivable	43,909	578	12,566
Accrued interest receivable	117,167	5,655	-
Due from other funds	18,070	80,155	363
Due from other governments	493,875	2,070,221	1,958,888
Inventories	-	434,410	-
Advance to other funds	965,000	-	-
Long-term receivable	-	-	-
Total Assets	**$ 22,800,786**	**$ 13,834,394**	**$ 9,329,495**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 231,935	$ 101,841	$ 470,879
Salaries payable	756,604	92,079	361,853
Contracts payable	-	361,117	-
Due to other funds	67,676	53,676	14,827
Due to other governments	177,119	13,483	73,781
Unearned revenue	136,777	-	-
Advance from other funds	-	-	-
Total Liabilities	**$ 1,370,111**	**$ 622,196**	**$ 921,340**
Deferred Inflows of Resources			
Unavailable revenue	$ 1,817,694	$ 1,711,929	$ 358,144
Advance from other governments	-	669,891	-
Total Deferred Inflows of Resources	**$ 1,817,694**	**$ 2,381,820**	**$ 358,144**

EXHIBIT 3

Sanitary Landfill/ Recycling Center	Ditch	County Building	Debt Service	Capital Projects	Nonmajor Funds	Total
$ 16,210,387	$ 21,089	$ 4,950,009	$ 5,399,254	$ 432,883	$ 8,350,786	$ 73,350,898
-	-	7,015	21,761	-	26,134	475,913
-	10,199	-	17,130	1,127	-	75,557
-	1,090,517	-	7,272,823	533,838	-	10,206,402
1,487,083	225	-	325,948	-	223,750	2,094,059
51,364	-	2,800	-	-	29,298	206,284
131	33,308	-	-	-	19,447	151,474
1,628	132,086	2,166	78,228	-	85,733	4,822,825
-	-	-	-	-	-	434,410
-	-	-	-	-	-	965,000
-	-	69,999	-	-	-	69,999
$ 17,750,593	**$ 1,287,424**	**$ 5,031,989**	**$ 13,115,144**	**$ 967,848**	**$ 8,735,148**	**$ 92,852,821**
$ 106,462	$ 48,365	$ 28,593	$ -	$ 58,093	$ 68,903	$ 1,115,071
29,140	-	-	-	-	44,120	1,283,796
-	-	-	-	-	-	361,117
2,316	8,708	2,162	-	-	2,109	151,474
24,914	74,295	-	5,735	-	24,430	393,757
-	-	-	-	-	-	136,777
-	840,000	-	-	-	125,000	965,000
	-					
$ 162,832	**$ 971,368**	**$ 30,755**	**$ 5,735**	**$ 58,093**	**$ 264,562**	**$ 4,406,992**
$ 1,270,681	$ 1,266,335	$ 8,161	$ 7,588,999	$ 534,467	$ 220,000	$ 14,776,410
-	-	-	-	-	-	669,891
$ 1,270,681	**$ 1,266,335**	**$ 8,161**	**$ 7,588,999**	**$ 534,467**	**$ 220,000**	**$ 15,446,301**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Road and Bridge	Human Services
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)			
Fund Balances			
Nonspendable			
Inventories	$ -	$ 434,410	$ -
Missing heirs	193,845	-	-
Advances to other funds	965,000	-	-
Restricted for			
Debt service	-	-	-
Recorder's technology and equipment	476,744	-	-
Law enforcement	356,687	-	-
Administering the carrying of weapons	342,437	-	-
Public safety	72,502	-	-
Sanitation	-	-	-
Donations – public safety	11,896	-	-
Enhanced 911	814,434	-	-
Gravel pit restoration	261,381	-	-
Highways and streets	-	20,447	-
ISTS loans	17,114	-	-
Closure/postclosure	-	-	-
Ditch maintenance and repairs	-	-	-
Committed to			
Repairs and maintenance of County buildings	-	-	-
Purchases of capital equipment	-	-	-
Glacial Lake Sewer	-	-	-
Library operations and building maintenance	-	-	-
DARE program	-	-	-
Health and Human Services Building operations and maintenance	-	-	-
Assigned to			
Highways and streets	-	10,375,521	-
Human services	-	-	8,050,011
Capital projects	-	-	-
Unassigned	16,100,941	-	-
Total Fund Balances	**$ 19,612,981**	**$ 10,830,378**	**$ 8,050,011**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 22,800,786**	**$ 13,834,394**	**$ 9,329,495**

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

EXHIBIT 3
(Continued)

Sanitary Landfill/ Recycling Center	Ditch	County Building	Debt Service	Capital Projects	Nonmajor Funds	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ 434,410
-	-	-	-	-	-	193,845
-	-	-	-	-	-	965,000
-	-	-	5,520,410	-	-	5,520,410
-	-	-	-	-	-	476,744
-	-	-	-	-	-	356,687
-	-	-	-	-	-	342,437
-	-	-	-	-	-	72,502
8,634,772	-	-	-	-	-	8,634,772
-	-	-	-	-	-	11,896
-	-	-	-	-	-	814,434
-	-	-	-	-	-	261,381
-	-	-	-	-	-	20,447
-	-	-	-	-	-	17,114
7,682,308	-	-	-	-	-	7,682,308
-	403,931	-	-	-	-	403,931
-	-	4,993,073	-	-	-	4,993,073
-	-	-	-	-	4,351,178	4,351,178
-	-	-	-	-	2,505,715	2,505,715
-	-	-	-	-	193,536	193,536
-	-	-	-	-	76,387	76,387
-	-	-	-	-	1,236,938	1,236,938
-	-	-	-	-	-	10,375,521
-	-	-	-	-	-	8,050,011
-	-	-	-	375,288	-	375,288
-	(1,354,210)	-	-	-	(113,168)	14,633,563
$ 16,317,080	**$ (950,279)**	**$ 4,993,073**	**$ 5,520,410**	**$ 375,288**	**$ 8,250,586**	**$ 72,999,528**
$ 17,750,593	**$ 1,287,424**	**$ 5,031,989**	**$ 13,115,144**	**$ 967,848**	**$ 8,735,148**	**$ 92,852,821**

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KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES DECEMBER 31, 2018

Fund balances – total governmental funds (Exhibit 3)		**$ 72,999,528**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		171,106,433
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in governmental funds.		56,250
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		8,098,036
Revenue in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		14,776,410
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (11,070,000)	
Special assessment bonds	(7,625,000)	
Unamortized premium on bonds	(349,822)	
Unamortized discount on bonds	9,425	
Loans payable	(8,066,627)	
Estimated liability for landfill closure/postclosure	(7,682,308)	
Compensated absences	(4,865,165)	
Net pension liability	(18,544,524)	
Other postemployment benefits liability	(1,123,354)	(59,317,375)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(12,734,409)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(239,165)
Net Position of Governmental Activities (Exhibit 1)		**$ 194,745,708**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Road and Bridge	Human Services
Revenues			
Taxes	$ 17,084,226	$ 6,616,159	$ 7,294,944
Special assessments	378,163	-	-
Licenses and permits	518,898	-	-
Intergovernmental	5,290,162	9,691,475	10,486,734
Charges for services	5,524,537	948,643	813,995
Fines and forfeits	98,995	-	-
Gifts and contributions	42,154	-	-
Investment earnings	797,489	29,981	-
Miscellaneous	1,491,891	154,762	284,204
Total Revenues	**$ 31,226,515**	**$ 17,441,020**	**$ 18,879,877**
Expenditures			
Current			
General government	$ 9,872,683	$ -	$ -
Public safety	15,310,642	-	-
Highways and streets	-	14,154,914	-
Sanitation	-	-	-
Human services	-	-	17,724,490
Health	2,439,380	-	-
Culture and recreation	801,756	-	-
Conservation of natural resources	1,776,453	-	-
Economic development	33,117	-	-
Intergovernmental			
Highways and streets	-	473,929	-
Culture and recreation	-	-	-
Capital outlay			
Sanitation	-	-	-
Debt service			
Principal	304,569	185,000	-
Interest	47,831	41,450	-
Administrative (fiscal) charges	-	423	-
Total Expenditures	**$ 30,586,431**	**$ 14,855,716**	**$ 17,724,490**
Excess of Revenues Over (Under) Expenditures	**$ 640,084**	**$ 2,585,304**	**$ 1,155,387**

EXHIBIT 5

Sanitary Landfill/ Recycling Center	Ditch	County Building	Debt Service	Capital Projects	Nonmajor Funds	Total
$ -	$ -	$ 463,193	$ 1,294,748	$ -	$ 1,622,013	$ 34,375,283
-	1,079,483	-	1,546,378	69,894	-	3,073,918
1,200	-	-	-	-	-	520,098
207,178	-	45,974	2,197	-	203,511	25,927,231
3,751,546	-	-	1,377,153	-	1,679,318	14,095,192
-	-	-	-	-	28,609	127,604
-	-	-	-	-	-	42,154
171,165	-	18,913	-	-	33,769	1,051,317
465,465	-	210,752	-	-	1,456,342	4,063,416
$ 4,596,554	**$ 1,079,483**	**$ 738,832**	**$ 4,220,476**	**$ 69,894**	**$ 5,023,562**	**$ 83,276,213**
$ -	$ -	$ 573,579	$ -	$ -	$ 903,453	$ 11,349,715
-	-	3,590	-	-	234,416	15,548,648
-	-	-	-	-	377,084	14,531,998
3,482,491	-	-	-	-	1,600,949	5,083,440
-	-	-	-	-	-	17,724,490
-	-	-	-	-	-	2,439,380
-	-	272,020	-	-	215,338	1,289,114
-	1,424,550	26,032	-	-	-	3,227,035
-	-	-	-	-	-	33,117
-	-	-	-	-	-	473,929
-	-	-	-	-	370,600	370,600
-	-	-	-	297,481	-	297,481
250,000	-	-	3,679,000	-	450,827	4,869,396
23,500	-	-	609,707	-	15,506	737,994
-	-	-	8,097	-	-	8,520
$ 3,755,991	**$ 1,424,550**	**$ 875,221**	**$ 4,296,804**	**$ 297,481**	**$ 4,168,173**	**$ 77,984,857**
$ 840,563	**$ (345,067)**	**$ (136,389)**	**$ (76,328)**	**$ (227,587)**	**$ 855,389**	**$ 5,291,356**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Road and Bridge	Human Services
Other Financing Sources (Uses)			
Transfers in	$ -	$ -	$ -
Transfers out	-	-	-
Loans issued	343,950	-	-
Proceeds from sale of capital assets	22,112	-	-
Total Other Financing Sources (Uses)	**$ 366,062**	**$ -**	**$ -**
Special Item (Note 3.D.)			
Transfer of operations to the City of Willmar	**$ -**	**$ -**	**$ -**
Net Change in Fund Balance	**$ 1,006,146**	**$ 2,585,304**	**$ 1,155,387**
Fund Balance – January 1	**18,606,835**	**8,255,109**	**6,894,624**
Increase (decrease) in inventories	**-**	**(10,035)**	**-**
Fund Balance – December 31	**$ 19,612,981**	**$ 10,830,378**	**$ 8,050,011**

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

EXHIBIT 5
(Continued)

Sanitary Landfill/ Recycling Center	**Ditch**	**County Building**	**Debt Service**	**Capital Projects**	**Nonmajor Funds**	**Total**
$ -	$ -	$ -	$ -	$ 260,203	$ 22,962	$ 283,165
-	-	(250,000)	(22,962)	-	(10,203)	(283,165)
-	-	-	-	-	-	343,950
-	-	-	-	-	-	22,112
$ -	**$ -**	**$ (250,000)**	**$ (22,962)**	**$ 260,203**	**$ 12,759**	**$ 366,062**
$ -	**$ -**	**$ -**	**$ -**	**$ -**	**$ (316,875)**	**$ (316,875)**
$ 840,563	**$ -**	**$ (386,389)**	**$ (99,290)**	**$ 32,616**	**$ 551,273**	**$ 5,340,543**
15,476,517	**(605,212)**	**5,379,462**	**5,619,700**	**342,672**	**7,699,313**	**67,669,020**
-	**-**	**-**	**-**	**-**	**-**	**(10,035)**
$ 16,317,080	**$ (950,279)**	**$ 4,993,073**	**$ 5,520,410**	**$ 375,288**	**$ 8,250,586**	**$ 72,999,528**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balance – total governmental funds (Exhibit 5)			**$**	**5,340,543**
Amounts reported for governmental activities in the statement of activities are different because:				
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.				
Unavailable revenue – December 31	$	14,776,410		
Unavailable revenue – January 1		(17,384,406)		(2,607,996)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed of.				
Expenditures for general capital assets and infrastructure	$	8,995,881		
Net book value of assets sold		(3,929)		
Current year depreciation		(5,831,213)		3,160,739
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.				
Debt issued				
Loans issued				(343,950)
Principal repayments				
General obligation bonds	$	1,870,000		
Special assessment bonds		1,045,000		
Capital lease		450,827		
Loans payable		1,503,569		4,869,396

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT 6
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

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	$ 43,052	
Current year amortization of premium on bonds issued	88,724	
Current year amortization of discount on bonds issued	(3,085)	
Change in compensated absences	(441,123)	
Change in other postemployment benefits liability	(26,133)	
Change in deferred other postemployment benefits outflows	56,250	
Change in net pension liability	7,279,149	
Change in deferred pension outflows	(4,045,596)	
Change in deferred pension inflows	(2,370,405)	
Change in inventories	(10,035)	
Change in estimated liability for landfill closure/postclosure	(435,042)	135,756
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 10,554,488**

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FIDUCIARY FUND

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KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2018

	Agency Fund
Assets	
Cash and pooled investments	**$ 1,426,665**
Liabilities	
Due to other governments	**$ 1,426,665**

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

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2018. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

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

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Blended Component Unit

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

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

Discretely Presented Component Unit

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

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

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 4.D. The County also participates in jointly-governed organizations described in Note 4.E.

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

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

The Ditch Special Revenue Fund accounts for funds used by the various ditches. Financing is provided by special assessments.

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

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fund type:

Fiduciary Fund

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

C. Measurement Focus and Basis of Accounting

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

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

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

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2018. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2018 were $797,489.

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

2. Receivables and Payables

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

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

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

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

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

Special assessments receivable consist of delinquent special assessments payable in the years 2003 through 2018 and noncurrent special assessments payable in 2019 and after.

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

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

1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

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

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

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

6. Unearned Revenue

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

7. Compensated Absences

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

1. Summary of Significant Accounting Policies

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

8. Long-Term Obligations

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

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources (Continued)

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

10. Pension Plan

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

1. Summary of Significant Accounting Policies

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

      11. Classification of Net Position

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

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

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

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

      12. Classification of Fund Balances

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

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

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

1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances (Continued)

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

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

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

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

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

1. Summary of Significant Accounting Policies

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

13. Use of Estimates

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

14. Change in Accounting Principles

During the year ended December 31, 2018, the County adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes standards for recognizing and measuring OPEB liabilities and related deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also requires additional note disclosures and a schedule in the Required Supplementary Information. Beginning net position has been restated to reflect this change.

	Governmental Activities
Net Position, January 1, 2018, as previously reported	$ 185,445,529
Change in accounting principles	(1,254,309)
Net Position, January 1, 2018, as restated	$ 184,191,220

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

At December 31, 2018, the Ditch Special Revenue Fund had a deficit fund balance of $950,279. The deficit will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

68 ditches with positive balances	$ 403,931
31 ditches with deficit balances	(1,354,210)
Net Fund Balance	$ (950,279)

At December 31, 2018, the Regional Treatment Center Special Revenue Fund had a deficit fund balance of $113,168.

B. Tax Abatements

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

MinnWest Technology Campus Management Company

The County entered into a property tax abatement agreement with MinnWest Technology Campus Management Company on February 2, 2016, for a period of ten years effective in the years 2016 through 2025. The abatement will equal a 100 percent share of ad valorem property taxes received by the County from the tax abatement property. Contractual stipulations require County payments to not exceed a total amount of $686,600. The County provided a tax abatement in the form of a tax refund in the amount of $84,227 for 2018. The developer agrees to renovate, expand, and further develop the MinnWest Technology Campus by making infrastructure and capital investments and expanding the campus. Further, the developer agrees to create a minimum of 175 full-time equivalent jobs and to spend $8 million on capital projects and improvements by December 31, 2025.

2. Stewardship, Compliance, and Accountability

   B. Tax Abatements (Continued)

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

The County entered into a property tax abatement agreement with William P. & Deborah D. Donner and Oil Air Products, LLC, on November 11, 2015, for a period of eight years effective in the years 2015 through 2022. The abatement will equal a 100 percent share of ad valorem property taxes received by the County from the tax abatement property during 2015 through 2017, 75 percent during 2018 through 2020, and 50 percent during 2021 and 2022. Contractual stipulations require County payments not to exceed a total amount of $82,292. The County will provide a tax abatement in the form of a tax refund. The abatement amount for 2018 was $4,621. The developer agrees to relocate its existing manufacturing business in order to facilitate the expansion of the business in the County and expand the workforce to 12 – 15 full-time employees.

Torgerson Properties, Inc.

The County entered into a property tax abatement agreement with Torgerson Properties, Inc., on May 7, 2013, for a period of ten years effective in 2016 through 2025. The abatement will equal the lesser of $39,000 annually, or 100 percent of the increased portion of the County's share of ad valorem property taxes on the property derived from the value of the project during 2016 through 2020; the lesser of $29,775 annually, or 75 percent of the County's share of ad valorem property taxes during 2021 through 2023; and the lesser of $19,850 annually, or 50 percent of the County's share of ad valorem property taxes during 2024 and 2025. Contractual stipulations require the County's payments do not exceed a total amount of $327,525. The County provided a tax abatement in the form of a tax refund in the amount of $39,000 for 2018. The developer agrees to construct additions to the lodging facilities existing on real property located in the City of Willmar. The developer further agrees to renovate and expand the existing hotel, restaurant, and convention facilities with corresponding interior and exterior improvements to bring the buildings up to code. Further, the developer agreed to create a minimum of 25 full-time equivalent jobs by January 1, 2016, and to pay a wage that, with benefits, exceeds $12 per hour.

2. Stewardship, Compliance, and Accountability

B. Tax Abatements (Continued)

Gus Wurdell – Regency East Trailer Park

The County entered into a property tax abatement agreement with Gus Wurdell on December 16, 2014, for a period of eight years effective in the years 2015 through 2022. The abatement will equal 100 percent of the County's share of ad valorem property taxes received by the County from the tax abatement property during 2015 through 2019 and 75 percent of the County's share of the property taxes during 2020 through 2022. Contractual stipulations require the County payments do not exceed ten percent of the current tax levy. The County will provide a tax abatement in the form of a tax refund. The abatement amount for 2018 was $5,676. The developer agrees to redevelop the Regency East Trailer Park to accommodate the introduction of new mobile homes.

Rockstep Willmar, LLC – Kandi Mall Rehab Project

The County entered into a property tax abatement agreement with Rockstep Willmar, LLC, on September 6, 2016, for a period of ten years effective in 2017 through 2026. The abatement will equal 100 percent of the County's share of the increase in ad valorem property taxes generated by the property during 2017 through 2024 and 80 percent of the County's share of ad valorem property taxes in 2025 and 2026. Contractual stipulations require the County payments do not exceed ten percent of the current net tax capacity, or $200,000 per year, and the total abatement will not exceed $604,901. The County will provide a tax abatement in the form of a tax refund; however, it did not make a payment during 2018. The developer agrees to renovate the existing structure and construct a new facility with an estimated market value of $6,722,000. Further, the developer agrees that within two years after completion of the new and redeveloped facility's occupation for business, at least 60 new jobs will be created at a minimum of $12 per hour.

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

The County entered into a property tax abatement agreement with Little Crow Golf Association, LLC, and Glacial Ridge Hospitality, LLC, on October 4, 2016, for a period of ten years effective in 2020 through 2029. The abatement will equal 100 percent of the County's share of the increased ad valorem property taxes during 2020 through 2027 and 80 percent of the County's share of the property taxes during 2028 and 2029. The increase in property taxes will be over the 2016 base tax capacity of $4,893. Contractual

2. Stewardship, Compliance, and Accountability

B. Tax Abatements

Little Crow Golf Association, LLC, and Glacial Ridge Hospitality, LLC (Continued)

stipulations require the County payments do not exceed ten percent of the net tax capacity or $200,000, whichever is greater, and the total abatement does not exceed $720,780. The County will provide a tax abatement in the form of a tax refund; however, it did not make a payment during 2018. The developer agrees to demolish the existing structure and construct a new facility with an estimated completed market value of $6,850,000. The County expects the new facility will help retain and expand commercial and industrial enterprise in the County and provide employment opportunities in the County.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and investments	$ 73,350,898
Statement of fiduciary net position	
Cash and pooled investments	1,426,665
Total Cash and Investments	$ 74,777,563

a. Deposits

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

3. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk other than complying with the requirements of Minnesota statutes. As of December 31, 2018, the County's deposits were not exposed to custodial credit risk.

         b. Investments

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

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

Interest Rate Risk

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Interest Rate Risk (Continued)

The following table presents the County's investment balances at December 31, 2018, and information relating to interest rate risk:

	Less Than 1 Year	1 – 5 Years	More Than 5 Years	Total Fair Value
U.S. government securities/bonds				
Federal Home Loan Bank	$ -	$ 194,674	$ -	$ 194,674
Federal National Mortgage Association	-	247,783	-	247,783
Federal Home Loan Mortgage Corporation	-	516,723	-	516,723
Federal Farm Credit Bank	-	10,250,181	1,943,019	12,193,200
Tennessee Valley Authority	-	544,417	-	544,417
Total U.S. government securities/bonds	$ -	$ 11,753,778	$ 1,943,019	$ 13,696,797
State and local government taxable revenue bonds	1,534,727	8,971,862	467,235	10,973,824
Collateralized mortgage obligations	-	-	734,336	734,336
Investment pools – MAGIC Fund	26,307,705	-	-	26,307,705
Negotiable certificates of deposit	449,173	5,081,387	231,129	5,761,689
Total Investments	$ 28,291,605	$ 25,807,027	$ 3,375,719	$ 57,474,351

Credit Risk

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

The following table presents the County's deposit and investment balances at December 31, 2018, related to credit risk:

	Credit Risk	Total Fair Value
U.S. government securities/bonds		
Federal Home Loan Bank	Aaa	$ 194,674
Federal National Mortgage Association	Aaa	247,783
Federal Home Loan Mortgage Corporation	Aaa	516,723
Federal Farm Credit Bank	Aaa	12,193,200
Tennessee Valley Authority	Aaa	544,417
Total U.S. government securities/bonds		$ 13,696,797
State and local government taxable revenue bonds		
	A1	$ 1,119,606
	A2	547,922
	AA	1,100,028
	AA-	319,445
	Aa+	203,576
	Aa1	619,483
	Aa2	1,481,130
	Aa3	2,927,188
	Aaa	2,655,446
Total state and local government taxable revenue bonds		$ 10,973,824
Collateralized mortgage obligations	N/R	$ 734,336
Investment pools – MAGIC Fund	N/R	$ 26,307,705
Negotiable certificates of deposit	N/R	$ 5,761,689
Total Investments		$ 57,474,351

3. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2018, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. At December 31, 2018, the County did not have any investments in any one issuer that represents five percent or more of the County's investments.

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

At December 31, 2018, the County had the following recurring fair value measurements:

	December 31, 2018	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. government agencies	$ 13,696,797	$ 12,193,201	$ 1,503,596	$ -
Taxable municipal bonds	10,973,824	-	10,973,824	-
Collateralized mortgage obligation	734,336	-	734,336	-
Negotiable certificates of deposit	5,761,689	-	5,761,689	-
Total Investments Included in the Fair Value Hierarchy	$ 31,166,646	$ 12,193,201	$ 18,973,445	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	18,307,705			
MAGIC Term	8,000,000			
Total Investments	$ 57,474,351			

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

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

3. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments (Continued)

- Taxable Municipal Bonds: a market approach using quoted prices for similar securities in active markets;

- Negotiable Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices; and

- Money Market Funds: a market approach using published fair value per share (unit) for each fund.

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

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The County invests in a repurchase agreement through the bank's sweep accounts. These accounts have daily liquidity and funds can be accessed anytime.

2. Receivables

Receivables as of December 31, 2018, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Funds		
Receivables		
Taxes	$ 475,913	$ -
Special assessments	10,281,959	10,206,402
Accounts	2,094,059	1,678,913
Accrued interest	206,284	-
Due from other governments	4,822,825	-
Long-term	69,999	51,332
Total Receivables	$ 17,951,039	$ 11,936,647

Long-Term Receivable

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

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 6,640,261	$ 318,175	$ -	$ 6,958,436
Construction in progress	13,907,980	7,010,345	12,026,794	8,891,531
Total capital assets not depreciated	$ 20,548,241	$ 7,328,520	$ 12,026,794	$ 15,849,967
Capital assets depreciated				
Landfill	$ 10,561,661	$ 368,089	$ -	$ 10,929,750
Buildings	46,244,438	15,500	-	46,259,938
Machinery, vehicles, furniture, and equipment	20,185,677	1,283,772	368,710	21,100,739
Infrastructure	142,065,549	12,026,794	-	154,092,343
Software	315,482	-	-	315,482
Total capital assets depreciated	$ 219,372,807	$ 13,694,155	$ 368,710	$ 232,698,252
Less: accumulated depreciation for				
Landfill	$ 2,055,881	$ 261,805	$ -	$ 2,317,686
Buildings	17,223,114	1,038,936	-	18,262,050
Machinery, vehicles, furniture, and equipment	13,002,753	1,407,576	364,781	14,045,548
Infrastructure	39,378,124	3,122,896	-	42,501,020
Software	315,482	-	-	315,482
Total accumulated depreciation	$ 71,975,354	$ 5,831,213	$ 364,781	$ 77,441,786
Total capital assets depreciated, net	$ 147,397,453	$ 7,862,942	$ 3,929	$ 155,256,466
Governmental Activities Capital Assets, Net	$ 167,945,694	$ 15,191,462	$ 12,030,723	$ 171,106,433

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	$	596,356
Public safety		890,448
Highways and streets, including depreciation of infrastructure assets		2,675,194
Sanitation		1,420,085
Human services		23,714
Culture and recreation		37,483
Conservation of natural resources		187,933
Total Depreciation Expense – Governmental Activities	$	5,831,213

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2018, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General	Road and Bridge	$ 852	Charges for services rendered and supplies provided
	Human Services	14,827	Charges for services rendered and supplies provided
	Sanitary Landfill/Recycling Center	282	Charges for services rendered and supplies provided
	Nonmajor	2,109	Charges for services rendered and supplies provided
Total due to General Fund		$ 18,070	
Road and Bridge	General	$ 67,251	Charges for services rendered
	Sanitary Landfill/Recycling Center	2,034	Charges for services rendered
	County Building	2,162	Charges for services rendered
	Ditch	8,708	Charges for services rendered
Total due to Road and Bridge Fund		$ 80,155	

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount	
Human Services	General	$ 363	Charges for services rendered
Sanitary Landfill/Recycling Center	General	$ 62	Charges for services rendered
	Road and Bridge	69	Charges for services rendered
Total due to Sanitary Landfill/ Recycling Center		$ 131	
Ditch	Road and Bridge	$ 33,308	Charges for services rendered
Nonmajor	Road and Bridge	$ 19,447	Charges for services rendered
Total Due To/From Other Funds		$ 151,474	

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

2. Advance To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General	Ditch	$ 840,000	Eliminate negative cash balance
	Nonmajor	125,000	Eliminate negative cash balance
Total Advance To/From Other Funds		$ 965,000	

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2018, consisted of the following:

Transfer to Capital Projects Fund from		
County Building Fund	$ 250,000	Glacial Lake Sewer Bond advance
Nonmajor funds	10,203	County's share of Grass Lake funds
Total Transfers to Capital Projects Fund	$ 260,203	
Transfer to nonmajor funds from Debt Service Fund	22,962	To report current expenditures in the Glacial Lake Sewer Fund
Total Interfund Transfers	$ 283,165	

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Construction and Other Commitments

The County has active construction projects as of December 31, 2018. The remaining commitments for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2018.

2. Deferred Inflows of Resources – Unavailable Revenue

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

Unavailable revenue at December 31, 2018, is summarized below by fund:

	Taxes	Charges for Services	Special Assessments	Grants and Highway Allotments	Other	Total
Major governmental funds						
General	$ 187,530	$ -	$ 1,352,007	$ -	$ 278,157	$ 1,817,694
Special Revenue						
Road and Bridge	49,780	-	-	1,516,280	145,869	1,711,929
Human Services	79,353	-	-	-	278,791	358,144
Sanitary Landfill/ Recycling Center	-	1,253,951	-	-	16,730	1,270,681
Ditch	-	-	1,262,361	-	3,974	1,266,335
County Building	5,361	-	-	-	2,800	8,161
Debt Service	16,879	285,921	7,286,199	-	-	7,588,999
Capital Projects	-	-	534,467	-	-	534,467
Nonmajor funds	19,898	170,804	-	-	29,298	220,000
Total	$ 358,801	$ 1,710,676	$ 10,435,034	$ 1,516,280	$ 755,619	$ 14,776,410

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds					
2014A G.O. Law Enforcement Facility Refunding Bonds	2021	$425,000 – $1,285,000	2.00 – 3.00	$ 7,295,000	$ 3,610,000
2014B G.O. Solid Waste Bonds	2022	$240,000 – $270,000	2.00	1,785,000	1,050,000
2016A G.O. Refunding Bonds	2030	$390,000 – $625,000	2.00	6,910,000	6,410,000
Total General Obligation Bonds				$ 15,990,000	$ 11,070,000
Special assessment bonds with government commitment					
2010A G.O. Sewer and Water Revenue Bonds	2032	$225,000 – $435,000	3.00 – 4.00	$ 6,245,000	$ 4,800,000
2010B G.O. Sewer and Water Revenue Refunding Bonds	2022	$380,000 – $480,000	1.10 – 3.45	4,220,000	1,835,000
2012 G.O. Sewer and Water Revenue Refunding Bonds	2023	$75,000 – $305,000	1.275	3,085,000	990,000
Total Special Assessment Bonds with Government Commitment				$ 13,550,000	$ 7,625,000
Loans payable					
2000 Public Facilities Authority Clean Water G.O. Revenue Note	2020	$6,397 – $455,000	2.25	$ 7,188,360	$ 900,000
2001 Public Facilities Authority Clean Water G.O. Revenue Note	2021	$3,344 – $228,000	2.25	3,648,450	669,000
2002 Public Facilities Authority Clean Water G.O. Revenue Note	2021	$567 – $40,000	2.14	651,000	118,000
2006A Public Facilities Authority Clean Water G.O. Revenue Note	2026	$178,876 – $216,000	1.00	3,761,876	1,672,000
2000 Public Facilities Authority Drinking Water G.O. Revenue Note	2019	$3,054 – $158,450	3.54	2,262,450	158,450

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
Loans payable (Continued)					
2001 Public Facilities Authority Drinking Water G.O. Revenue Note	2020	$1,409 – $70,000	3.54	1,012,260	138,000
2006B Public Facilities Authority Wastewater Infrastructure G.O. Revenue Note	2032	$9,124 – $109,000	0.00	1,208,124	1,208,124
Hawk Creek Watershed Continuation Clean Water Partnership Project	2020	$26,804	2.00	483,701	78,832
Crow River Basin Clean Water Partnership Project	2021	$23,752	2.00	370,772	100,843
Shakopee Creek Headwaters Continuation Clean Water Partnership Project	2021	$14,408	2.00	166,331	53,419
Hawk Creek Watershed Continuation Clean Water Partnership Project	2023	$26,799	2.00	407,235	213,740
Crow River Watershed – Reducing Surface Water Runoff Project	2024	$16,678	2.00	300,971	172,916
Chippewa River Accelerated Restoration Clean Water Partnership Project	2025	$11,526	2.00	168,862	121,683
Hawk Creek Watershed Nitrogen Reduction Clean Water Partnership Project	2026	$20,517	2.00	370,239	301,965
Chippewa River Accelerated Restoration Clean Water Partnership Project	2026	$17,227	2.00	310,868	253,543
Chippewa River Watershed Protection Project Clean Water Partnership Project	2028	$11,526	2.00	208,000	146,802
Hawk Creek Watershed Upgrade Implement Clean Water Partnership Project	2029	$23,053	2.00	416,000	216,532
Crow River SSTS Restoration Project Clean Water Partnership Project	2029	$20,171	2.00	364,000	170,231
Kandiyohi County SSTS Upgrades Clean Water Partnership Project*	2029	$50,000	0.00	1,000,000	282,547
City of New London USDA Rural Development	2029	$85,000 – $125,000	2.00 – 3.10	1,735,000	1,090,000
Total Loans Payable				$ 26,034,499	$ 8,066,627

*The outstanding balance for this loan represents the amount received from the Minnesota Pollution Control Agency as of December 31, 2018. The County has not finished drawing down funds on this loan; therefore, a final debt payment schedule is not available. The following payment schedule does not include the debt service requirements on this loan.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

Year Ending	General Obligation Bonds		Special Assessment Bonds	
December 31	Principal	Interest	Principal	Interest
2019	$ 1,940,000	$ 232,375	$ 1,080,000	$ 247,881
2020	1,990,000	181,450	1,100,000	220,138
2021	2,110,000	128,125	830,000	191,836
2022	840,000	92,200	860,000	163,436
2023	585,000	77,950	380,000	141,756
2024 – 2028	2,820,000	212,000	1,730,000	507,600
2029 – 2033	785,000	15,750	1,645,000	134,900
Total	$ 11,070,000	$ 939,850	$ 7,625,000	$ 1,607,547

Year Ending	Loans	
December 31	Principal	Interest
2019	$ 1,443,641	$ 114,399
2020	1,383,680	95,620
2021	824,713	67,312
2022	524,240	52,238
2023	535,586	43,374
2024 – 2028	2,175,096	95,784
2029 – 2033	897,124	1,938
Total	$ 7,784,080	$ 470,665

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ 12,940,000	$ -	$ 1,870,000	$ 11,070,000	$ 1,940,000
Special assessment bonds with government commitment	8,670,000	-	1,045,000	7,625,000	1,080,000
Add: premium on bonds	438,546	-	88,724	349,822	-
Less: discount on bonds	(12,510)	-	(3,085)	(9,425)	-
Total bonds payable	$ 22,036,036	$ -	$ 3,000,639	$ 19,035,397	$ 3,020,000
Capital lease	450,827	-	450,827	-	-
Loans payable	9,226,246	343,950	1,503,569	8,066,627	1,443,641
Estimated liability for landfill closure/postclosure	7,247,266	435,042	-	7,682,308	-
Compensated absences	4,424,042	914,069	472,946	4,865,165	134,018
Governmental Activities Long-Term Liabilities	$ 43,384,417	$ 1,693,061	$ 5,427,981	$ 39,649,497	$ 4,597,659

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

General	$ 304,569
Road and Bridge Special Revenue	185,000
Sanitary Landfill/Recycling Center	250,000
Debt Service	3,679,000
Nonmajor	450,827
Total Debt Reductions	$ 4,869,396

D. Special Item

Kandiyohi County has provided facilities for the Eagle Lake Sanitary Sewer System for the collections and treatment of wastewater to promote the health, safety, and convenience of its people and for the safeguarding of water resources common to all. Pursuant to the agreement between the City of Willmar and Kandiyohi County dated August 25, 1971, the ownership of the Eagle Lake Sanitary Sewer System has been transferred from Kandiyohi County to the City of Willmar. This is recorded as a special item in the Governmental Activities and the Eagle Lake Sewer Special Revenue Fund.

3. Detailed Notes on All Funds (Continued)

E. Other Postemployment Benefits (OPEB)

Plan Description

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

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

Funding Policy

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

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

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

Total OPEB Liability

The County's total OPEB liability of $1,123,354 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated through the General Fund, Road and Bridge and Human Services Special Revenue Funds, and other governmental funds with personal services expenditures.

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

The total OPEB liability in the fiscal year-end December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal Percent of Pay
Inflation	2.50 percent
Salary increases	3.00 percent
Medical trend	6.50 percent as of January 1, 2018, grading to 5.00 percent over six years

The current year discount rate is 3.30 percent. For the current valuation, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates used are recent tables developed and recommended by the Society of Actuaries, (SOA) RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2018, as restated	$ 1,097,221
Changes for the year	
Service cost	$ 73,921
Interest	37,256
Benefit payments	(85,044)
Net change	$ 26,133
Balance at December 31, 2018	$ 1,123,354

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	$ 1,202,561
Current	3.30	1,123,354
1% Increase	4.30	1,048,433

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	Health Care Trend Rates	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	$ 1,017,115
Current	6.50% Decreasing to 5.00%	1,123,354
1% Increase	7.50% Decreasing to 6.00%	1,246,677

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

For the year ended December 31, 2018, the County recognized OPEB expense of ($30,117). At December 31, 2018, the County reported no deferred inflows of resources and $56,250 in deferred outflows of resources resulting from County contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

3. Detailed Notes on All Funds

   E. Other Postemployment Benefits (OPEB) (Continued)

   Changes in Actuarial Methods and Assumptions and Plan Provisions

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

   - The actuarial cost method used changed from the Projected Unit Credit to Entry Age Normal Percent of Pay.

   - The health care trend rates were changed to better anticipate short-term and long-term medical increases.

   - The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).

   - The retirement and withdrawal tables for all employees were updated.

   - The discount rate was changed from 3.50 percent to 3.30 percent.

   The following changes in plan provisions occurred in 2018:

   - The postemployment medical subsidy amounts for elected statutory officers increased to $10,000 with 15 years of service; $15,000 with 20 years of service; and $25,000 with 25 years of service.

   F. Pension Plans

   1. Defined Benefit Pension Plans

   a. Plan Description

   All full-time and certain part-time employees of Kandiyohi County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing 5.00 percent for each year of service until fully vested after 20 years.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Plan and Police and Fire Plan benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase, while Correctional Plan benefit recipients receive 2.50 percent. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.00 percent.

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

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

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

required to contribute 6.50 percent of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2018.

In 2018, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.20
Correctional Plan	8.75

The employee and employer contribution rates did not change from the previous year.

The County's contributions for the year ended December 31, 2018, to the pension plans were:

General Employees Plan	$	1,499,734
Police and Fire Plan		422,675
Correctional Plan		250,759

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of $15,755,156 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.2840 percent. It was 0.2909 percent measured as of June 30, 2017. The County recognized pension expense of $1,498,199 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized $120,510 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and $6 million thereafter, through calendar year 2031.

The County's proportionate share of the net pension liability	$ 15,755,156
State of Minnesota's proportionate share of the net pension liability associated with the County	516,770
Total	$ 16,271,926

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 426,690	$ 450,613
Changes in actuarial assumptions	1,475,868	1,799,700
Difference between projected and actual investment earnings	-	1,695,829
Changes in proportion	503,409	427,542
Contributions paid to PERA subsequent to the measurement date	759,258	-
Total	$ 3,165,225	$ 4,373,684

The $759,258 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	$ 523,605
2020	(755,263)
2021	(1,407,216)
2022	(328,843)

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2018, the County reported a liability of $2,562,416 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.240 percent. It was 0.248 percent measured as of June 30, 2017. The County recognized pension expense of $215,357 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized $21,636 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 105,169	$ 671,225
Changes in actuarial assumptions	3,379,196	3,888,753
Difference between projected and actual investment earnings	-	517,058
Changes in proportion	-	378,880
Contributions paid to PERA subsequent to the measurement date	216,930	-
Total	$ 3,701,295	$ 5,455,916

The $216,930 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	$ (135,374)
2020	(264,548)
2021	(428,142)
2022	(1,117,942)
2023	(25,545)

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2018, the County reported a liability of $226,952 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 1.38 percent. It was 1.37 percent measured as of June 30, 2017. The County recognized pension expense of ($261,390) for its proportionate share of the Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 11,825	$ 24,085
Changes in actuarial assumptions	1,055,128	2,620,829
Difference between projected and actual investment earnings	-	259,895
Changes in proportion	40,586	-
Contributions paid to PERA subsequent to the measurement date	123,977	-
Total	$ 1,231,516	$ 2,904,809

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The $123,977 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	$ 109,488
2020	(990,987)
2021	(868,216)
2022	(47,555)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was $1,452,166.

e. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

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

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

- The mortality projection scale was changed from MP-2015 to MP-2017.

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

3. Detailed Notes on All Funds

   F. Pension Plans

      1. Defined Benefit Pension Plans

         g. Changes in Actuarial Assumptions (Continued)

Police and Fire Plan

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

Correctional Plan

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions

Correctional Plan (Continued)

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

h. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)
1% Decrease	6.50%	$ 25,604,145	6.50%	$ 5,493,981	6.50%	$ 1,942,320
Current	7.50	15,755,156	7.50	2,562,416	7.50	226,952
1% Increase	8.50	7,625,096	8.50	138,134	8.50	(1,145,289)

i. Pension Plan Fiduciary Net Position

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

3. Detailed Notes on All Funds

F. Pension Plans (Continued)

2. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by Kandiyohi County during the year ended December 31, 2018, were:

	Employee	Employer
Contribution amount	$ 8,020	$ 8,020
Percentage of covered payroll	5.00%	5.00%

4. Summary of Significant Contingencies and Other Items

A. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although the majority of the closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care

4. Summary of Significant Contingencies and Other Items

A. Landfill Closure and Postclosure Care Costs (Continued)

costs as an operating expense in each period based on landfill capacity used as of each year-end. The County estimated the cost of closure and postclosure care to be $7,682,308, with 176,340 cubic yards remaining capacity to be filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2018. 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, 2018, cash and investments of $7,846,880 are held for these purposes.

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

B. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other

4. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2018 and 2019. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

The County contributed $35 per month for each participating employee in 2018. The County deposits the County contributions and employee deductions with the administrator. Any claims paid by the administrator in excess of the deposits are billed to the County. The County also pays an administrative charge for the services rendered by the administrator. Financial transactions relating to the self-insurance plan are recorded in the General Fund.

The County has not had an actuarial study of the self-insurance dental plan; it has concluded that the risk of any major losses covered by self-insurance under this plan is covered by the general taxing powers of the County. There were accrued benefits at December 31, 2018 and 2017. The following discloses the claims activity during fiscal years 2018 and 2017.

	Year Ended December 31	
	2018	2017
Beginning liability	$ -	$ -
Current year claims	402,743	293,063
Claim payments	(402,743)	(293,063)
End-of-Year Liability	$ -	$ -

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

C. Contingent Liabilities

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

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

D. Joint Ventures

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

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

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

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

4. Summary of Significant Contingencies and Other Items

   D. Joint Ventures

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

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

Southwestern Minnesota Adult Mental Health Consortium Board

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

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

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

Crow River Joint Powers Agreement

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

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Crow River Joint Powers Agreement (Continued)

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

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

Central Minnesota Emergency Services Board

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

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

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

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2018, Kandiyohi County contributed $51,921 to the Board.

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

Coordinated Enforcement Effort VI Task Force

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

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

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

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Putting All Communities Together for Families Collaborative

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

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

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

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

Southern Prairie Community Care

Kandiyohi County entered into a joint powers agreement on June 26, 2012, with Chippewa, Cottonwood, Jackson, Lincoln, Lyon, Murray, Nobles, Redwood, Rock, Swift, and Yellow Medicine Counties to establish the Southern Prairie Health Purchasing Alliance pursuant to the provisions of Minn. Stat. § 471.59. In 2014, the Southern Prairie Health Purchasing Alliance changed its name to Southern Prairie Community Care. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Redwood, and

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Southern Prairie Community Care (Continued)

Rock Counties in this agreement. The purpose of the Joint Powers Board is to plan, formulate, operate, and govern a rural care delivery system to improve the health and quality of life of the citizens of member counties. The Joint Powers Board is composed of one representative from each county.

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

Pioneerland Regional Library System

Kandiyohi County, along with 32 cities and nine other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional library service. The Pioneerland Library System is governed by the Pioneerland Library System Board composed of 35 members appointed by member cities and counties. During the year, Kandiyohi County contributed $370,600 to the System.

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

Kandiyohi-Renville Community Health Board

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

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Kandiyohi-Renville Community Health Board (Continued)

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

E. Jointly-Governed Organizations

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

Counties Providing Technology

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

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

Financing is primarily from county member contributions. During 2018, Kandiyohi County contributed $175,000 to CPT. Current financial information can be obtained from the Stevens County Auditor/Treasurer, 400 Colorado Avenue, Suite 303, Morris, Minnesota 56267.

4. Summary of Significant Contingencies and Other Items

   E. Jointly-Governed Organizations (Continued)

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

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

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

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

   F. Subsequent Event

   On August 20, 2019, the Kandiyohi County Board of Commissioners adopted a resolution awarding the sale of $9,690,000 General Obligation Water and Sewer Bonds, Series 2019A, to finance the 2019 infrastructure projects for the Glacial Lakes Sanitary Sewer and Water District sewer and water systems.

5. Kandiyohi County Housing and Redevelopment Authority (HRA)

   A. Summary of Significant Accounting Policies

   The HRA is reporting as of and for the year ended June 30, 2018.

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

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

B. Capital Assets

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

C. Deposits and Investments

The HRA's cash and investments as of June 30, 2018, are summarized as follows:

Unrestricted	
Cash on deposit	$ 1,702,721
Investments (certificates of deposit)	904,705
Restricted	
Cash on deposit	268,963
Cash, tenant security deposits	78,356
Investments (certificates of deposit)	99,632
Total	$ 3,054,377

In accordance with Minnesota statutes, the HRA maintains deposits at depository banks authorized by the Board. The carrying amount of the HRA's deposits with financial institutions was $3,054,377 as of June 30, 2018; the bank balance was $3,132,903.

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

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

(a) direct or guaranteed obligations that are issues of the United States or its agencies;

(b) shares of investment companies registered under the Federal Investment Company Act of 1940 whose only investments are in securities described in Minnesota statutes;

5. Kandiyohi County Housing and Redevelopment Authority (HRA)

C. Deposits and Investments (Continued)

(c) general obligations of the State of Minnesota or any of its municipalities and other state and local government obligations as restricted in Minnesota statutes;

(d) bankers' acceptances of United States banks;

(e) commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less;

(f) repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in United States government securities reporting to the Federal Reserve Bank of New York, certain Minnesota securities broker-dealers, or a bank qualified as a depository; and

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

D. Receivables

Receivables for the HRA at June 30, 2018, were as follows:

Accounts	$	55,104
Rent		22,292
Accounts receivable – other governmental		272,987
Notes		710,813
Total Receivables	$	1,061,196

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

E. Capital Assets

The HRA's capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 1,148,157	$ -	$ -	$ 1,148,157
Landscaping	27,244	-	-	27,244
Total capital assets not depreciated	$ 1,175,401	$ -	$ -	$ 1,175,401
Capital assets depreciated				
Building	$ 14,397,160	$ 40,066	$ -	$ 14,437,226
Furniture and equipment	351,183	18,029	-	369,212
Development cost	4,903,972	-	-	4,903,972
Total capital assets depreciated	$ 19,652,315	$ 58,095	$ -	$ 19,710,410
Less: accumulated depreciation	14,781,449	431,399	-	15,212,848
Total capital assets, depreciated, net	$ 4,870,866	$ (373,304)	$ -	$ 4,497,562
Total Capital Assets, Net	$ 6,046,267	$ (373,304)	$ -	$ 5,672,963

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

Business-type activities	
Country View Place	$ 18,072
Public Housing	374,586
Housing Project	37,386
Tax Levy	1,355
Total Depreciation Expense	$ 431,399

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

F. Payables

Payables for the HRA at June 30, 2018, were as follows:

Accounts	$	65,569
Salaries payable		162,250
Accrued interest payable		3,599
Other accrued liabilities		79,693
Total	$	311,111

G. Property Taxes

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

H. Long-Term Debt

Long-term debt outstanding at June 30, 2018, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Interest Rate (%)	Original Issue Amount	Remaining Commitment
Essential Function				
Housing Development Bond of 1997	2031	4.70 – 8.75	$ 1,530,000	$ 901,461
Minnesota Housing Finance Agency	2035	0.00	158,409	158,409
Bridges RTC	N/A	0.00	2,000	2,000
Country View Place	N/A	0.00	82,080	82,080
POHP	N/A	0.00	1,678,796	1,906,818
Total			$ 3,451,285	$ 3,050,768

5. Kandiyohi County Housing and Redevelopment Authority (HRA)

H. Long-Term Debt (Continued)

The estimated debt service requirements as of June 30, 2018, are as follows:

Year Ending	Principal	Interest	Total
2019	$ 57,578	$ 39,673	$ 97,251
2020	60,343	36,908	97,251
2021	63,241	34,010	97,251
2022	66,279	30,973	97,252
2023	69,462	27,790	97,252
2024 – 2028	400,669	85,588	486,257
2029 – 2033	183,890	6,252	190,142
2034 – 2036	2,149,306	-	2,149,306
Total	$ 3,050,768	$ 261,194	$ 3,311,962

I. Lease Agreement

The HRA renewed the lease expiring October 31, 2018, for two additional years commencing November 1, 2018, for office space with Kandiyohi County. Under the terms of the lease, the HRA is required to make monthly lease payments to the County in the amount of $4,445. The HRA rental expense for the year ending June 30, 2018, totaled $56,515.

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

	Amount
2019	$ 53,340
2020	13,335

J. Risk Management

The HRA is exposed to various risks of loss from torts; theft of, damage to, or destruction of assets; business interruption; errors or omissions; job-related illnesses or injuries to employees; and natural disasters. The HRA has purchased commercial insurance to mitigate its exposure for such losses. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximum coverages are exceeded, this could cause the HRA to suffer losses if a loss is incurred from such incidents. The ultimate outcome of uninsured losses cannot presently be

5. Kandiyohi County Housing and Redevelopment Authority (HRA)

J. Risk Management (Continued)

determined, and no provision for any liability that may result, if any, has been made in the financial statements. Settled claims to date have not exceeded coverage levels, and insurance coverage, by major categories of risk, is consistent with coverage in the prior year.

K. Contingencies

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

L. Prior Period Adjustment

The HRA changed its policy for forgivable deferred notes receivable. Due to the nature of these notes, the HRA is not reporting these notes as long-term notes receivable in the financial statements. The beginning net positions of Small Cities and Small Cities Revolving have been adjusted to reflect this change.

	Small Cities	Small Cities Revolving	Combined
Net position, beginning	$ 307,164	$ 118,645	$ 6,567,069
Prior period adjustment	(357,512)	(63,964)	(421,476)
Net Position, restated	$ (50,348)	$ 54,681	$ 6,145,593

M. Subsequent Event

In June 2019, the HRA entered into a construction loan agreement in the amount of $717,770 with the Minnesota Housing Finance Agency through its Publicly Owned Housing Program. The loan is to aid the HRA in the rehabilitation and financing of the Lakeview High-rise in Willmar, an existing public housing development. The loan is forgivable after 20 years with no interest. The HRA is to provide funds in the amount of $270,492 to be used for rehabilitation and permanent financing.

REQUIRED SUPPLEMENTARY INFORMATION

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KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 16,924,768	$ 16,924,768	$ 17,084,226	$ 159,458
Special assessments	-	-	378,163	378,163
Licenses and permits	451,200	451,200	518,898	67,698
Intergovernmental	3,977,554	3,977,554	5,290,162	1,312,608
Charges for services	4,339,500	4,179,800	5,524,537	1,344,737
Fines and forfeits	77,000	77,000	98,995	21,995
Gifts and contributions	-	-	42,154	42,154
Investment earnings	295,000	295,000	797,489	502,489
Miscellaneous	532,900	532,900	1,491,891	958,991
Total Revenues	**$ 26,597,922**	**$ 26,438,222**	**$ 31,226,515**	**$ 4,788,293**
Expenditures				
Current				
General government				
Board of County Commissioners	$ 389,500	$ 389,500	$ 361,466	$ 28,034
Court system	18,000	18,000	13,214	4,786
Law library	65,000	65,000	61,051	3,949
County administrator	171,500	171,500	171,867	(367)
Passport	44,000	44,000	41,444	2,556
Auditor	744,300	744,300	764,509	(20,209)
License bureau	421,200	421,200	437,429	(16,229)
External audit	81,000	81,000	95,088	(14,088)
Assessor	753,400	753,400	734,334	19,066
Human resources	197,900	197,900	202,335	(4,435)
Data processing	799,100	799,100	913,765	(114,665)
Communications	-	-	18,701	(18,701)
Computer maintenance	-	-	18,193	(18,193)
GIS services	85,000	85,000	312,682	(227,682)
Elections	68,500	68,500	122,566	(54,066)
County attorney	1,451,200	1,451,200	1,557,114	(105,914)
County attorney's contingent	-	-	15,000	(15,000)
Recorder	434,500	434,500	458,918	(24,418)
Surveyor	122,400	122,400	121,299	1,101
Grounds maintenance building	42,500	42,500	15,231	27,269
Prairie Lakes Youth building	49,300	49,300	31,934	17,366
Courthouse	511,500	511,500	473,081	38,419
County office building	68,000	68,000	56,324	11,676
Veterans service	193,400	193,400	199,415	(6,015)
Planning and zoning	585,200	585,200	668,589	(83,389)
Other general government	1,042,900	1,042,900	2,007,134	(964,234)
Total general government	**$ 8,339,300**	**$ 8,339,300**	**$ 9,872,683**	**$ (1,533,383)**

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

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 4,389,000	$ 4,389,000	$ 4,642,198	$ (253,198)
Safe and sober grant	42,000	42,000	49,076	(7,076)
Snowmobile patrol	4,900	4,900	-	4,900
800 MHZ (ARMER) radio system	-	-	9,960	(9,960)
Dispatch center	1,426,400	1,426,400	1,381,680	44,720
Boat and water safety enforcement	36,600	36,600	49,537	(12,937)
Coroner	89,000	89,000	72,161	16,839
County jail	5,135,300	5,135,300	5,471,959	(336,659)
Community corrections	2,469,200	2,469,200	2,421,434	47,766
Civil defense	296,000	296,000	292,180	3,820
Rescue squad	71,400	71,400	81,482	(10,082)
911 emergency telephone	15,000	15,000	47,346	(32,346)
Correctional facility building	808,200	808,200	752,629	55,571
Shelter house	39,000	39,000	39,000	-
Total public safety	**$ 14,822,000**	**$ 14,822,000**	**$ 15,310,642**	**$ (488,642)**
Health				
Public health service	**$ 2,530,000**	**$ 2,530,000**	**$ 2,439,380**	**$ 90,620**
Culture and recreation				
Celebrations	$ 2,000	$ 2,000	$ -	$ 2,000
Humane Society of Kandiyohi County	36,000	36,000	36,000	-
Historical Society	65,000	65,000	65,000	-
County fair	18,000	18,000	18,000	-
County parks	342,200	342,200	623,005	(280,805)
Snowmobile trails	-	-	59,751	(59,751)
Total culture and recreation	**$ 463,200**	**$ 463,200**	**$ 801,756**	**$ (338,556)**
Conservation of natural resources				
County extension	$ 185,700	$ 185,700	$ 181,600	$ 4,100
Soil and Water Conservation District	143,000	143,000	143,000	-
Public drainage	111,600	111,600	104,323	7,277
Riparian aid ditch buffer	-	-	141,923	(141,923)
Grass lake planning/protection	200,000	200,000	160,972	39,028
Prairie Woods Environmental Learning Center	138,000	138,000	138,000	-
Shorelands management project	6,900	6,900	11,661	(4,761)

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current				
Conservation of natural resources (Continued)				
Septic loan program	-	-	325,824	(325,824)
Water planning	33,600	33,600	42,482	(8,882)
Feedlot program	76,400	76,400	75,768	632
Lakes	83,700	83,700	450,900	(367,200)
Total conservation of natural resources	**$ 978,900**	**$ 978,900**	**$ 1,776,453**	**$ (797,553)**
Economic development				
Tourism and economic development	$ 14,000	$ 14,000	$ 3,117	$ 10,883
Region 6E Community Action Agency	30,000	30,000	30,000	-
Total economic development	**$ 44,000**	**$ 44,000**	**$ 33,117**	**$ 10,883**
Debt service				
Principal	$ -	$ -	$ 304,569	$ (304,569)
Interest	-	-	47,831	(47,831)
Total debt service	**$ -**	**$ -**	**$ 352,400**	**$ (352,400)**
Total Expenditures	**$ 27,177,400**	**$ 27,177,400**	**$ 30,586,431**	**$ (3,409,031)**
Excess of Revenues Over (Under) Expenditures	**$ (579,478)**	**$ (739,178)**	**$ 640,084**	**$ 1,379,262**
Other Financing Sources (Uses)				
Loans issued	$ -	$ -	$ 343,950	$ 343,950
Proceeds from sale of capital assets	-	-	22,112	22,112
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 366,062**	**$ 366,062**
Net Change in Fund Balance	**$ (579,478)**	**$ (739,178)**	**$ 1,006,146**	**$ 1,745,324**
Fund Balance – January 1	**18,606,835**	**18,606,835**	**18,606,835**	**-**
Fund Balance – December 31	**$ 18,027,357**	**$ 17,867,657**	**$ 19,612,981**	**$ 1,745,324**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 4,877,486	$ 4,877,486	$ 6,616,159	$ 1,738,673
Intergovernmental	10,759,014	10,759,014	9,691,475	(1,067,539)
Charges for services	600,000	600,000	948,643	348,643
Investment earnings	20,000	20,000	29,981	9,981
Miscellaneous	-	-	154,762	154,762
Total Revenues	**$ 16,256,500**	**$ 16,256,500**	**$ 17,441,020**	**$ 1,184,520**
Expenditures				
Current				
Highways and streets				
Administration	$ 1,085,319	$ 1,085,319	$ 729,674	$ 355,645
Road and bridge	3,592,781	3,592,781	2,444,365	1,148,416
Construction	10,116,400	10,116,400	10,182,174	(65,774)
Equipment maintenance shop	325,000	325,000	798,701	(473,701)
Total highways and streets	**$ 15,119,500**	**$ 15,119,500**	**$ 14,154,914**	**$ 964,586**
Intergovernmental				
Highways and streets	404,400	404,400	473,929	(69,529)
Debt service				
Principal	185,000	185,000	185,000	-
Interest	41,450	41,450	41,450	-
Administrative (fiscal) charges	50	50	423	(373)
Total Expenditures	**$ 15,750,400**	**$ 15,750,400**	**$ 14,855,716**	**$ 894,684**
Net Change in Fund Balance	**$ 506,100**	**$ 506,100**	**$ 2,585,304**	**$ 2,079,204**
Fund Balance – January 1	**8,255,109**	**8,255,109**	**8,255,109**	**-**
Increase (decrease) in inventories	**-**	**-**	**(10,035)**	**(10,035)**
Fund Balance – December 31	**$ 8,761,209**	**$ 8,761,209**	**$ 10,830,378**	**$ 2,069,169**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 7,382,793	$ 7,382,793	$ 7,294,944	$ (87,849)
Intergovernmental	9,396,507	9,396,507	10,486,734	1,090,227
Charges for services	775,600	775,600	813,995	38,395
Gifts and contributions	28,000	28,000	-	(28,000)
Miscellaneous	156,900	156,900	284,204	127,304
Total Revenues	**$ 17,739,800**	**$ 17,739,800**	**$ 18,879,877**	**$ 1,140,077**
Expenditures				
Current				
Human services				
Income maintenance	$ 4,497,400	$ 4,497,400	$ 4,633,235	$ (135,835)
Social services	13,242,400	13,242,400	13,091,255	151,145
Total Expenditures	**$ 17,739,800**	**$ 17,739,800**	**$ 17,724,490**	**$ 15,310**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 1,155,387**	**$ 1,155,387**
Fund Balance – January 1	**6,894,624**	**6,894,624**	**6,894,624**	**-**
Fund Balance – December 31	**$ 6,894,624**	**$ 6,894,624**	**$ 8,050,011**	**$ 1,155,387**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
SANITARY LANDFILL/RECYCLING CENTER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Licenses and permits	$ -	$ -	$ 1,200	$ 1,200
Intergovernmental	120,000	120,000	207,178	87,178
Charges for services	3,619,000	3,619,000	3,751,546	132,546
Investment earnings	64,500	64,500	171,165	106,665
Miscellaneous	475,000	475,000	465,465	(9,535)
Total Revenues	**$ 4,278,500**	**$ 4,278,500**	**$ 4,596,554**	**$ 318,054**
Expenditures				
Current				
Sanitation				
Solid waste	$ 3,815,600	$ 3,815,600	$ 3,482,491	$ 333,109
Debt service				
Principal	250,000	250,000	250,000	-
Interest	23,500	23,500	23,500	-
Total Expenditures	**$ 4,089,100**	**$ 4,089,100**	**$ 3,755,991**	**$ 333,109**
Net Change in Fund Balance	**$ 189,400**	**$ 189,400**	**$ 840,563**	**$ 651,163**
Fund Balance – January 1	**15,476,517**	**15,476,517**	**15,476,517**	**-**
Fund Balance – December 31	**$ 15,665,917**	**$ 15,665,917**	**$ 16,317,080**	**$ 651,163**

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

EXHIBIT A-5

BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 468,133	$ 468,133	$ 463,193	$ (4,940)
Intergovernmental	29,367	29,367	45,974	16,607
Investment earnings	-	-	18,913	18,913
Miscellaneous	-	-	210,752	210,752
Total Revenues	**$ 497,500**	**$ 497,500**	**$ 738,832**	**$ 241,332**
Expenditures				
Current				
General government	$ 286,500	$ 286,500	$ 573,579	$ (287,079)
Public safety	5,000	5,000	3,590	1,410
Culture and recreation	180,000	180,000	272,020	(92,020)
Conservation of natural resources	26,000	26,000	26,032	(32)
Total Expenditures	**$ 497,500**	**$ 497,500**	**$ 875,221**	**$ (377,721)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (136,389)**	**$ (136,389)**
Other Financing Sources (Uses)				
Transfers out	-	-	(250,000)	(250,000)
Net Change in Fund Balance	**$ -**	**$ -**	**$ (386,389)**	**$ (386,389)**
Fund Balance – January 1	**5,379,462**	**5,379,462**	**5,379,462**	**-**
Fund Balance – December 31	**$ 5,379,462**	**$ 5,379,462**	**$ 4,993,073**	**$ (386,389)**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-6

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2018

		2018
Total OPEB Liability		
Service cost	$	73,921
Interest		37,256
Benefit payments		(85,044)
Net change in total OPEB liability	**$**	**26,133**
Total OPEB Liability – Beginning, as restated		**1,097,221**
Total OPEB Liability – Ending	**$**	**1,123,354**
Covered-employee payroll	$	24,516,771
Total OPEB liability (asset) as a percentage of covered-employee payroll		4.58%

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-7

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018

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

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

EXHIBIT A-8

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b – a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2018	$ 1,499,734	$ 1,499,734	$ -	$ 19,996,413	7.50%
2017	1,375,983	1,375,980	(3)	18,346,441	7.50
2016	1,325,454	1,325,459	5	17,672,716	7.50
2015	1,277,192	1,277,374	182	17,029,220	7.50

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

EXHIBIT A-9

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.240%	$ 2,562,416	$ 2,533,953	101.12%	88.84%
2017	0.248	3,348,295	2,544,847	131.57	85.43
2016	0.255	10,233,594	2,461,411	415.76	63.88
2015	0.261	2,965,571	2,383,722	124.41	86.61

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-10

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018

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

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

The notes to the required supplementary information are an integral part of these schedules.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-11

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	1.38%	$ 226,952	$ 2,818,257	8.05%	97.64%
2017	1.37	3,904,514	2,745,159	142.23	67.89
2016	1.36	4,968,270	2,566,973	193.55	58.16
2015	1.33	205,618	2,386,041	8.62	96.95

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-12

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018

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

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

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 Regional Treatment Center Special Revenue Funds; the Debt Service Fund; and the Capital Projects Fund. All annual appropriations lapse at fiscal year-end. Comparisons of estimated revenues and expenditures to actual are presented in the budgetary comparison schedules for the General Fund and the major special revenue funds, except for the Ditch Special Revenue Fund, which is not budgeted.

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

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

2. Excess of Expenditures Over Budget

The following is a summary of the individual major funds that had expenditures in excess of budget for the year ended December 31, 2018:

	Expenditures	Final Budget	Excess
General Fund	$ 30,586,431	$ 27,177,400	$ 3,409,031
County Building Special Revenue Fund	875,221	497,500	377,721

3. Other Postemployment Benefits Funded Status

In 2018, Kandiyohi County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.E. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

4. Employer Contributions to Other Postemployment Benefits

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

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

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

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

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

General Employees Retirement Plan

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.

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

General Employees Retirement Plan

2018 (Continued)

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019, and returns to $6 million annually through calendar year 2031.

2016

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

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

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

General Employees Retirement Plan

2016 (Continued)

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

Public Employees Police and Fire Plan

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.

- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

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

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

Public Employees Police and Fire Plan (Continued)

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

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

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

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

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064, and 2.50 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.

- The mortality projection scale was changed from MP-2016 to MP-2017.

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

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

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2017

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

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.00 percent for non-vested members.

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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KANDIYOHI COUNTY
WILLMAR, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2018

	Capital Equipment	Glacial Lake Sewer
Assets		
Cash and investments	$ 4,347,493	$ 2,474,089
Taxes receivable		
Delinquent	14,665	-
Accounts receivable	-	207,091
Accrued interest receivable	29,298	-
Due from other funds	-	-
Due from other governments	-	83,519
Total Assets	**$ 4,391,456**	**$ 2,764,699**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ -	$ 60,852
Salaries payable	-	22,211
Due to other funds	-	1,692
Due to other governments	-	3,425
Advance from other funds	-	-
Total Liabilities	**$ -**	**$ 88,180**
Deferred Inflows of Resources		
Unavailable revenue	**$ 40,278**	**$ 170,804**

EXHIBIT B-1

County Library		DARE		Health and Human Services Building		Regional Treatment Center		Total	
$	203,258	$	77,352	$	1,229,498	$	19,096	$	8,350,786
	6,279		-		5,190		-		26,134
	-		-		16,659		-		223,750
	-		-		-		-		29,298
	-		-		19,447		-		19,447
	-		2,214		-		-		85,733
$	**209,537**	**$**	**79,566**	**$**	**1,270,794**	**$**	**19,096**	**$**	**8,735,148**
$	3,754	$	-	$	997	$	3,300	$	68,903
	4,074		-		14,397		3,438		44,120
	-		-		408		9		2,109
	3,471		3,179		13,838		517		24,430
	-		-		-		125,000		125,000
$	**11,299**	**$**	**3,179**	**$**	**29,640**	**$**	**132,264**	**$**	**264,562**
$	**4,702**	**$**	**-**	**$**	**4,216**	**$**	**-**	**$**	**220,000**

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2018

	Capital Equipment	Glacial Lake Sewer
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Committed to		
Purchases of capital equipment	$ 4,351,178	$ -
Glacial Lake Sewer	-	2,505,715
Library operations and building maintenance	-	-
DARE program	-	-
Health and Human Services building operations and maintenance	-	-
Unassigned	-	-
Total Fund Balances	**$ 4,351,178**	**$ 2,505,715**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 4,391,456**	**$ 2,764,699**

EXHIBIT B-1
(Continued)

County Library		DARE		Health and Human Services Building		Regional Treatment Center		Total	
$	-	$	-	$	-	$	-	$	4,351,178
	-		-		-		-		2,505,715
	193,536		-		-		-		193,536
	-		76,387		-		-		76,387
	-		-		1,236,938		-		1,236,938
	-		-		-		(113,168)		(113,168)
$	**193,536**	**$**	**76,387**	**$**	**1,236,938**	**$**	**(113,168)**	**$**	**8,250,586**
$	**209,537**	**$**	**79,566**	**$**	**1,270,794**	**$**	**19,096**	**$**	**8,735,148**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Capital Equipment	Eagle Lake Sewer	Glacial Lake Sewer
Revenues			
Taxes	$ 1,002,271	$ -	$ -
Intergovernmental	64,356	-	-
Charges for services	-	319,308	1,360,010
Fines and forfeits	-	-	-
Investment earnings	32,622	1,147	-
Miscellaneous	-	-	341,490
Total Revenues	**$ 1,099,249**	**$ 320,455**	**$ 1,701,500**
Expenditures			
Current			
General government	$ 93,932	$ -	$ -
Public safety	216,683	-	-
Highways and streets	377,084	-	-
Sanitation	-	305,157	1,295,792
Culture and recreation	-	-	-
Intergovernmental			
Culture and recreation	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	**$ 687,699**	**$ 305,157**	**$ 1,295,792**
Excess of Revenues Over (Under) Expenditures	**$ 411,550**	**$ 15,298**	**$ 405,708**
Other Financing Sources (Uses)			
Transfers in	$ -	$ -	$ 22,962
Transfers out	-	-	(10,203)
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 12,759**
Special Item (Note 3.D.)			
Transfer of operations to the City of Willmar	**$ -**	**$ (316,875)**	**$ -**
Net Change in Fund Balance	**$ 411,550**	**$ (301,577)**	**$ 418,467**
Fund Balance – January 1	**3,939,628**	**301,577**	**2,087,248**
Fund Balance – December 31	**$ 4,351,178**	**$ -**	**$ 2,505,715**

County Library	DARE	Health and Human Services Building	Regional Treatment Center	Total
$ 406,542	$ -	$ 213,200	$ -	$ 1,622,013
125,514	-	13,641	-	203,511
-	-	-	-	1,679,318
-	28,609	-	-	28,609
-	-	-	-	33,769
40,660	-	555,126	519,066	1,456,342
$ 572,716	**$ 28,609**	**$ 781,967**	**$ 519,066**	**$ 5,023,562**
$ -	$ -	$ 606,937	$ 202,584	$ 903,453
-	17,733	-	-	234,416
-	-	-	-	377,084
-	-	-	-	1,600,949
215,338	-	-	-	215,338
370,600	-	-	-	370,600
-	-	-	450,827	450,827
-	-	-	15,506	15,506
$ 585,938	**$ 17,733**	**$ 606,937**	**$ 668,917**	**$ 4,168,173**
$ (13,222)	**$ 10,876**	**$ 175,030**	**$ (149,851)**	**$ 855,389**
$ -	$ -	$ -	$ -	$ 22,962
-	-	-	-	(10,203)
$ -	**$ -**	**$ -**	**$ -**	**$ 12,759**
$ -	**$ -**	**$ -**	**$ -**	**$ (316,875)**
$ (13,222)	**$ 10,876**	**$ 175,030**	**$ (149,851)**	**$ 551,273**
206,758	**65,511**	**1,061,908**	**36,683**	**7,699,313**
$ 193,536	**$ 76,387**	**$ 1,236,938**	**$ (113,168)**	**$ 8,250,586**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT B-3

BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 1,039,493	$ 1,039,493	$ 1,002,271	$ (37,222)
Intergovernmental	35,807	35,807	64,356	28,549
Investment earnings	-	-	32,622	32,622
Total Revenues	**$ 1,075,300**	**$ 1,075,300**	**$ 1,099,249**	**$ 23,949**
Expenditures				
Current				
General government	$ 175,000	$ 175,000	$ 93,932	$ 81,068
Public safety	334,400	334,400	216,683	117,717
Highways and streets	591,000	591,000	377,084	213,916
Total Expenditures	**$ 1,100,400**	**$ 1,100,400**	**$ 687,699**	**$ 412,701**
Net Change in Fund Balance	**$ (25,100)**	**$ (25,100)**	**$ 411,550**	**$ 436,650**
Fund Balance – January 1	**3,939,628**	**3,939,628**	**3,939,628**	**-**
Fund Balance – December 31	**$ 3,914,528**	**$ 3,914,528**	**$ 4,351,178**	**$ 436,650**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT B-4

BUDGETARY COMPARISON SCHEDULE
GLACIAL LAKE SEWER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Charges for services	$ 1,271,205	$ 1,271,205	$ 1,360,010	$ 88,805
Miscellaneous	205,310	205,310	341,490	136,180
Total Revenues	**$ 1,476,515**	**$ 1,476,515**	**$ 1,701,500**	**$ 224,985**
Expenditures				
Current				
Sanitation	1,599,031	1,528,081	1,295,792	232,289
Excess of Revenues Over (Under) Expenditures	**$ (122,516)**	**$ (51,566)**	**$ 405,708**	**$ 457,274**
Other Financing Sources (Uses)				
Transfers in	$ 114,017	$ 43,067	$ 22,962	$ (20,105)
Transfers out	-	-	(10,203)	(10,203)
Total Other Financing Sources (Uses)	**$ 114,017**	**$ 43,067**	**$ 12,759**	**$ (30,308)**
Net Change in Fund Balance	**$ (8,499)**	**$ (8,499)**	**$ 418,467**	**$ 426,966**
Fund Balance – January 1	**2,087,248**	**2,087,248**	**2,087,248**	**-**
Fund Balance – December 31	**$ 2,078,749**	**$ 2,078,749**	**$ 2,505,715**	**$ 426,966**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT B-5

BUDGETARY COMPARISON SCHEDULE
COUNTY LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 411,857	$ 411,857	$ 406,542	$ (5,315)
Intergovernmental	25,743	126,143	125,514	(629)
Miscellaneous	-	40,600	40,660	60
Total Revenues	**$ 437,600**	**$ 578,600**	**$ 572,716**	**$ (5,884)**
Expenditures				
Current				
Culture and recreation	$ 67,000	$ 208,000	$ 215,338	$ (7,338)
Intergovernmental				
Culture and recreation	370,600	370,600	370,600	-
Total Expenditures	**$ 437,600**	**$ 578,600**	**$ 585,938**	**$ (7,338)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ (13,222)**	**$ (13,222)**
Fund Balance – January 1	**206,758**	**206,758**	**206,758**	**-**
Fund Balance – December 31	**$ 206,758**	**$ 206,758**	**$ 193,536**	**$ (13,222)**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT B-6

BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 199,022	$ 199,022	$ 213,200	$ 14,178
Intergovernmental	27,078	27,078	13,641	(13,437)
Miscellaneous	495,600	495,600	555,126	59,526
Total Revenues	**$ 721,700**	**$ 721,700**	**$ 781,967**	**$ 60,267**
Expenditures				
Current				
General government	721,700	721,700	606,937	114,763
Net Change in Fund Balance	**$ -**	**$ -**	**$ 175,030**	**$ 175,030**
Fund Balance – January 1	**1,061,908**	**1,061,908**	**1,061,908**	**-**
Fund Balance – December 31	**$ 1,061,908**	**$ 1,061,908**	**$ 1,236,938**	**$ 175,030**

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KANDIYOHI COUNTY
WILLMAR, MINNESOTA

FIDUCIARY FUND

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

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KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT C-1

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
Assets				
Cash and investments	$ 2,697,680	$ 56,184,303	$ 57,455,318	$ 1,426,665
Liabilities				
Due to other governments	$ 2,697,680	$ 56,184,303	$ 57,455,318	$ 1,426,665

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OTHER SCHEDULES

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2018

	Assets						
	Treasurer's Cash Balance	Special Assessments Receivable		Accounts Receivable	Due From Other Funds	Due From Other Governments	Total Assets
		Delinquent	Noncurrent				
County Ditches							
#4 Meeker County	$ -	$ -	$ 6,335	$ -	$ 64	$ 232	$ 6,631
#7	4,396	-	-	-	-	-	4,396
#8 R/B	(115,760)	46	134,525	-	2,927	5,479	27,217
#9	3,011	-	4,718	-	47	12	7,788
#9 Lat 1 Br A	21,177	-	-	-	-	-	21,177
#10 Impr C	27,280	-	-	-	-	-	27,280
#12	1,181	13	3,742	7	182	666	5,791
#15	654	-	1,060	-	-	-	1,714
#16A	(80,021)	67	77,009	-	1,559	1,385	(1)
#18A	(108,776)	2,633	100,211	-	1,966	3,966	-
#19	343	-	6,631	1	148	1,493	8,616
#20	2,113	-	197	-	7	-	2,317
#23A	70	600	6,898	20	151	9,403	17,142
#24A	(54,223)	3	44,108	10	3,904	10,337	4,139
#24A Lat G	1,244	-	-	-	-	-	1,244
#24A Lat H	2,473	-	-	-	-	-	2,473
#24A Lat H-1	907	-	-	-	-	-	907
#24A Lat J	1,112	-	-	-	-	-	1,112
#26	(614)	-	15,295	-	765	-	15,446
#27	(26,400)	478	41,187	-	529	252	16,046
#28	6,513	-	-	-	1,008	-	7,521
#28 Impr Br 7	690	-	-	-	-	-	690
#28 Lat A Br 4	7,283	-	-	-	-	-	7,283
#28 Impr Br 5	119	1	10,418	-	-	200	10,738
#29	(2,749)	-	10,077	-	153	240	7,721
#31 (R/B)	(168,878)	4,656	265,483	-	3,279	771	105,311
#34	(1,323)	-	3,196	-	54	169	2,096
#37	3,813	638	995	-	1	17	5,464
#38	1,569	-	1,411	-	12	32	3,024
#40 (R/B)	(3,400)	7	9,431	-	79	325	6,442
#42	6,575	-	-	-	-	-	6,575
#45	874	-	222	-	-	-	1,096
#46	20,670	-	1,953	22	98	544	23,287
#47	13,235	-	2,799	15	52	87	16,188
#48	5,563	-	-	-	-	-	5,563
#50	1,083	-	-	-	-	-	1,083
#51	(3,298)	-	4,810	-	54	87	1,653
#51 Lat A-1	(3,807)	-	3,868	-	365	209	635
#52	2,841	98	-	-	-	-	2,939
#52 Lat A	394,183	-	-	-	-	-	394,183
#54 Impr	25,251	-	-	-	-	-	25,251
#55	1,772	90	206	14	6	308	2,396
#56	241	-	1,646	-	109	205	2,201
#58	3,370	-	-	-	-	-	3,370
#60	(23,758)	-	49,094	-	-	680	26,016
#61	601	-	-	-	-	-	601
#62	1,185	-	4,624	-	242	100	6,151
#63	(85)	-	663	-	23	25	626
#64	(55,890)	-	59,819	-	2,025	862	6,816
#65	(196)	-	2,985	-	-	26	2,815
State Ditch							
#1 Impr Div 2	3,816	173	-	-	-	-	3,989

Liabilities					Deferred Inflows of Resources	Fund Balances			Total Liabilities, Deferred Inflows of Resources, and Fund Balances
Accounts Payable	**Due to Other Funds**	**Due to Other Governments**	**Advance From Other Funds**	**Total Liabilities**	**Unavailable Revenue**	**Restricted for Ditch Maintenance and Repairs**	**Unassigned**	**Total Fund Balances**	
$ -	$ -	$ -	$ -	$ -	$ 6,631	$ -	$ -	$ -	$ 6,631
-	-	-	-	-	-	4,396	-	4,396	4,396
-	252	-	-	252	142,977	-	(116,012)	(116,012)	27,217
275	-	-	-	275	4,777	2,736	-	2,736	7,788
-	-	-	-	-	-	21,177	-	21,177	21,177
695	-	-	-	695	-	26,585	-	26,585	27,280
-	-	-	-	-	4,610	1,181	-	1,181	5,791
-	-	-	-	-	1,060	654	-	654	1,714
-	-	-	3,199	3,199	80,020	-	(83,220)	(83,220)	(1)
-	-	-	11,029	11,029	108,776	-	(119,805)	(119,805)	-
-	-	-	-	-	8,273	343	-	343	8,616
-	-	-	-	-	204	2,113	-	2,113	2,317
-	-	-	-	-	17,072	70	-	70	17,142
4,138	-	-	21,969	26,107	58,362	-	(80,330)	(80,330)	4,139
-	-	-	-	-	-	1,244	-	1,244	1,244
-	-	-	-	-	-	2,473	-	2,473	2,473
-	-	-	-	-	-	907	-	907	907
-	-	-	-	-	-	1,112	-	1,112	1,112
-	-	-	29,993	29,993	16,060	-	(30,607)	(30,607)	15,446
3,664	-	-	-	3,664	42,446	-	(30,064)	(30,064)	16,046
4,575	-	-	-	4,575	1,008	1,938	-	1,938	7,521
-	-	-	-	-	-	690	-	690	690
-	-	-	-	-	-	7,283	-	7,283	7,283
-	-	-	-	-	10,619	119	-	119	10,738
650	-	-	-	650	10,470	-	(3,399)	(3,399)	7,721
1,190	567	-	-	1,757	274,189	-	(170,635)	(170,635)	105,311
688	-	-	-	688	3,419	-	(2,011)	(2,011)	2,096
-	-	-	-	-	1,651	3,813	-	3,813	5,464
-	-	-	-	-	1,455	1,569	-	1,569	3,024
-	-	-	-	-	9,842	-	(3,400)	(3,400)	6,442
-	-	-	-	-	-	6,575	-	6,575	6,575
-	-	-	-	-	222	874	-	874	1,096
-	-	-	-	-	2,617	20,670	-	20,670	23,287
-	-	-	-	-	2,953	13,235	-	13,235	16,188
-	-	-	-	-	-	5,563	-	5,563	5,563
-	-	-	-	-	-	1,083	-	1,083	1,083
1,652	-	-	12,479	14,131	4,951	-	(17,429)	(17,429)	1,653
-	-	-	-	-	4,442	-	(3,807)	(3,807)	635
770	-	-	-	770	98	2,071	-	2,071	2,939
211	-	-	660,233	660,444	-	-	(266,261)	(266,261)	394,183
-	-	-	-	-	-	25,251	-	25,251	25,251
-	-	-	-	-	624	1,772	-	1,772	2,396
-	-	-	-	-	1,960	241	-	241	2,201
-	-	-	-	-	-	3,370	-	3,370	3,370
-	-	-	-	-	49,774	-	(23,758)	(23,758)	26,016
-	-	-	-	-	-	601	-	601	601
-	-	-	-	-	4,966	1,185	-	1,185	6,151
626	-	-	1,816	2,442	711	-	(2,527)	(2,527)	626
1,363	5,453	-	10,210	17,026	62,706	-	(72,916)	(72,916)	6,816
899	1,916	-	5,800	8,615	3,011	-	(8,811)	(8,811)	2,815
-	-	-	-	-	173	3,816	-	3,816	3,989

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2018

	Assets						
	Treasurer's Cash Balance	Special Assessments Receivable Delinquent	Special Assessments Receivable Noncurrent	Accounts Receivable	Due From Other Funds	Due From Other Governments	Total Assets
Judicial Ditches							
#1 M & K (Rep F)	(4,701)	35	12,251	-	216	17,260	25,061
#1 Lat A, M & K	1,323	-	-	-	-	-	1,323
#1 Lat, M & K	51,659	-	15,423	-	-	-	67,082
#1 Lat B, M & K	3,211	-	-	-	-	286	3,497
#1 Lat A of Lat B, M & K	2,547	-	2,230	-	60	63	4,900
#1 Br 4 of Lat B, M & K	511	-	-	-	-	-	511
#1 Lat C, M & K	1,202	-	-	-	-	-	1,202
#1 Lat D, M & K	293	-	-	-	-	-	293
#1 Lat E, M & K	1,676	-	-	-	-	-	1,676
#1 Br 2 of Lat F, M & K	(63,201)	-	58,809	-	5,162	3,878	4,648
#1 Lat G, M & K	1,466	-	-	-	-	-	1,466
#2 R & K	(29,965)	-	29,741	-	762	17,450	17,988
#2 Lat 3, R & K	1,169	-	-	-	-	415	1,584
#2 Lat 4, R & K	2,012	-	-	-	-	-	2,012
#2 Lat A of Lat 4, R & K	1,455	-	-	-	-	-	1,455
#2 Lat 5, R & K	3,994	-	-	-	-	-	3,994
#2 Lat 7, R & K	-	-	-	-	-	-	-
#2 Lat 8, R & K	1,461	-	163	-	4	3	1,631
#2 C & K	27,344	-	-	-	-	2,273	29,617
#2 St & K	2,063	-	-	-	-	-	2,063
#3 Lat B, K & C	(242)	-	2,030	-	84	167	2,039
#3 Lat A of Lat B, K & C	3,947	-	-	-	-	-	3,947
#3 Lat C, C & K	7,320	-	-	-	-	-	7,320
#3 Lat D, C & K	39,885	-	-	-	-	39	39,924
#3 Impr Br 5 & 6, C & K	1,564	49	2,951	-	108	12	4,684
#3 Impr Br 7 & 8, C & K	4,661	-	368	-	-	27	5,056
#3 Impr Br 9, C & K	1,680	-	-	-	-	-	1,680
#3 Impr Br 10, C & K	(25)	-	25	-	-	-	-
#3 Br 10 of Lat A, C & K	1,089	-	795	-	24	142	2,050
#3 St & K	7,882	-	-	-	-	131	8,013
#7 C, K & R & Rep F	(31,922)	582	16,632	118	1,990	20,898	8,298
#7 Lat A, C, K & R	(1,840)	4	3,397	-	343	1,726	3,630
#7 Lat B, C, K & R	(524)	-	1,142	-	204	411	1,233
#7 Lat E, C, K & R	3,394	2	-	-	-	-	3,396
#11 K & M R/B	(1,639)	-	11,336	-	950	565	11,212
#16 R & K	(6,742)	-	49,042	-	2,904	10,740	55,944
#17 M & K	(3,559)	-	5,488	18	638	14,580	17,165
#17 Br 4 of Lat A, M & K	461	-	-	-	-	-	461
#17 Br 4 of Lat B, M & K	6,000	-	-	-	-	-	6,000
#18 Sw, K & C R/B	19,177	24	-	-	-	1,408	20,609
#18 M & K	682	-	414	-	-	1,231	2,327
#18 Lat A, M & K	1,368	-	2,499	-	50	269	4,186
#18 Lat C, M & K	24,694	-	-	-	-	-	24,694
#19 Sw & K	694	-	163	-	-	-	857
#21 R, C & K	125	-	-	-	-	-	125
#21 Sw, K & C	17,863	-	-	-	-	-	17,863
#29 Rep B, R, M & K	(2)	-	2	-	-	-	-
#52 LM Lateral	1,549	-	-	-	-	-	1,549
Total	**$ 21,089**	**$ 10,199**	**$ 1,090,517**	**$ 225**	**$ 33,308**	**$ 132,086**	**$ 1,287,424**

EXHIBIT D-1
(Continued)

Liabilities					Deferred Inflows of Resources	Fund Balances			Total Liabilities, Deferred Inflows of Resources, and Fund Balances
Accounts Payable	Due to Other Funds	Due to Other Governments	Advance From Other Funds	Total Liabilities	Unavailable Revenue	Restricted for Ditch Maintenance and Repairs	Unassigned	Total Fund Balances	
25,061	-	2,262	79,333	106,656	29,762	-	(111,357)	(111,357)	25,061
-	-	-	-	-	-	1,323	-	1,323	1,323
-	-	-	-	-	15,423	51,659	-	51,659	67,082
-	-	310	-	310	286	2,901	-	2,901	3,497
-	-	-	-	-	2,353	2,547	-	2,547	4,900
-	-	-	-	-	-	511	-	511	511
-	-	-	-	-	-	1,202	-	1,202	1,202
-	-	-	-	-	-	293	-	293	293
-	-	-	-	-	-	1,676	-	1,676	1,676
-	19	-	-	19	67,849	-	(63,220)	(63,220)	4,648
-	-	-	-	-	-	1,466	-	1,466	1,466
-	-	1,676	-	1,676	47,953	-	(31,641)	(31,641)	17,988
-	-	-	-	-	415	1,169	-	1,169	1,584
-	-	-	-	-	-	2,012	-	2,012	2,012
-	-	-	-	-	-	1,455	-	1,455	1,455
-	-	-	-	-	-	3,994	-	3,994	3,994
-	-	-	83	83	-	-	(83)	(83)	-
-	-	-	-	-	170	1,461	-	1,461	1,631
1,010	-	-	-	1,010	2,273	26,334	-	26,334	29,617
-	-	-	-	-	-	2,063	-	2,063	2,063
-	-	-	-	-	2,281	-	(242)	(242)	2,039
-	-	-	-	-	-	3,947	-	3,947	3,947
-	-	-	-	-	-	7,320	-	7,320	7,320
75	-	-	-	75	39	39,810	-	39,810	39,924
-	-	-	-	-	3,120	1,564	-	1,564	4,684
-	-	-	-	-	395	4,661	-	4,661	5,056
-	-	-	-	-	-	1,680	-	1,680	1,680
-	-	-	133	133	25	-	(158)	(158)	-
-	-	-	-	-	961	1,089	-	1,089	2,050
-	-	-	-	-	131	7,882	-	7,882	8,013
-	-	12,688	-	12,688	40,220	-	(44,610)	(44,610)	8,298
-	-	-	-	-	5,470	-	(1,840)	(1,840)	3,630
-	-	-	-	-	1,757	-	(524)	(524)	1,233
-	-	-	-	-	2	3,394	-	3,394	3,396
-	-	198	1,897	2,095	12,851	-	(3,734)	(3,734)	11,212
823	-	47,519	-	48,342	62,686	-	(55,084)	(55,084)	55,944
-	501	948	-	1,449	20,724	-	(5,008)	(5,008)	17,165
-	-	-	-	-	-	461	-	461	461
-	-	-	-	-	-	6,000	-	6,000	6,000
-	-	-	-	-	1,432	19,177	-	19,177	20,609
-	-	198	-	198	1,645	484	-	484	2,327
-	-	2,773	-	2,773	2,818	-	(1,405)	(1,405)	4,186
-	-	5,690	-	5,690	-	19,004	-	19,004	24,694
-	-	-	-	-	163	694	-	694	857
-	-	-	-	-	-	125	-	125	125
-	-	-	-	-	-	17,863	-	17,863	17,863
-	-	33	277	310	2	-	(312)	(312)	-
-	-	-	1,549	1,549	-	-	-	-	1,549
$ 48,365	**$ 8,708**	**$ 74,295**	**$ 840,000**	**$ 971,368**	**$ 1,266,335**	**$ 403,931**	**$ (1,354,210)**	**$ (950,279)**	**$ 1,287,424**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT D-2

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Total Primary Government	Housing and Redevelopment Authority Component Unit
Appropriations and Shared Revenue		
State		
Highway users tax	$ 8,371,918	$ -
County program aid	1,906,917	-
PERA rate reimbursement	73,608	-
Disparity reduction aid	20,375	-
Police aid	275,503	-
PERA state aid	142,146	-
Enhanced 911	122,728	-
Local performance aid	5,988	-
SCORE	120,650	-
Aquatic invasive species aid	251,039	-
Riparian protection aid	153,450	-
Market value credit	395,619	-
Total appropriations and shared revenue	**$ 11,839,941**	**$ -**
Reimbursement for Services		
State		
Minnesota Department of Human Services	$ 2,669,254	$ -
Minnesota Department of Transportation	191,833	-
Total reimbursement for services	**$ 2,861,087**	**$ -**
Payments		
Local		
Payments in lieu of taxes	$ 246,472	$ -
Local	103,954	-
Total payments	**$ 350,426**	**$ -**
Grants		
State		
Minnesota Department/Board of		
Agriculture	$ 2,063	$ -
Public Safety	98,183	-
Health	234,831	-
Natural Resources	146,379	-
Human Services	3,001,554	-
Veterans Affairs	10,000	-
Corrections	803,453	-
Water and Soil Resources	82,306	-
Transportation	164,854	-
Peace Officer Standards and Training Board	29,667	-
Pollution Control Agency	99,984	-
Secretary of State	77,935	-
Total state	**$ 4,751,209**	**$ -**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Total Primary Government	Housing and Redevelopment Authority Component Unit
Grants (Continued)		
Federal		
Department of		
Agriculture	$ 610,620	$ -
Housing and Urban Development	-	2,079,336
Justice	21,713	-
Transportation	718,515	-
Education	1,615	-
Health and Human Services	4,733,168	-
Homeland Security	38,937	-
Total federal	**$ 6,124,568**	**$ 2,079,336**
Total state and federal grants	**$ 10,875,777**	**$ 2,079,336**
Total Intergovernmental Revenue	**$ 25,927,231**	**$ 2,079,336**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT D-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Direct			
Conservation Reserve Program	10.069		$ 6,227
Passed through Kandiyohi-Renville Community Health Board			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not provided	369,874
Passed through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514	293,103
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN127Q7503	31,330
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2520	259
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $324,692)			
Total U.S. Department of Agriculture			**$ 700,793**
U.S. Department of Justice			
Passed through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	A-STIT-2018-KANDICO-00004	**$ 21,713**
U.S. Department of Transportation			
Passed through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	00034	$ 626,698
Passed through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC18-2018-KANDISO-033	7,010
State and Community Highway Safety	20.600	A-SAFE18-2018-KANDICO-001	24,981
(Total State and Community Highway Safety 20.600 $31,991)			
National Priority Safety Programs	20.616	A-ENFRC18-2018-KANDISO-033	22,626
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC18-2018-KANDISO-033	37,200
Total U.S. Department of Transportation			**$ 718,515**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT D-3
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Education			
Passed through Kandiyohi-Renville Community Health Board			
Special Education – Grants for Infants and Families	84.181	Not provided	**$ 1,615**
U.S. Department of Health and Human Services			
Direct			
Drug-Free Communities Support Program Grants	93.276		$ 115,640
CARA Act Comprehensive Addiction and Recovery Act of 2016	93.799		9,567
Passed through Kandiyohi-Renville Community Health Board			
Public Health Emergency Preparedness	93.069	Not provided	24,003
Universal Newborn Hearing Screening	93.251	Not provided	75
Immunization Cooperative Agreements	93.268	Not provided	850
Pregnancy Assistance Fund Program	93.500	Not provided	166,923
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	Not provided	1,450
TANF Cluster			
Temporary Assistance for Needy Families	93.558	Not provided	61,320
(Total Temporary Assistance for Needy Families 93.558 $687,196)			
Maternal and Child Health Services Block Grant to the States	93.994	Not provided	41,345
Passed through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1701MNFPSS	7,632
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1801MNTANF	625,876
(Total Temporary Assistance for Needy Families 93.558 $687,196)			
Child Support Enforcement	93.563	1804MNCSES	156,579
Child Support Enforcement	93.563	1804MNCEST	754,149
(Total Child Support Enforcement 93.563 $910,728)			
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFRPG	8,460
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801MNCCDF	12,253
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	8,244
Foster Care – Title IV-E	93.658	1801MNFOST	323,384
Social Services Block Grant	93.667	G-1801MNSOSR	313,288
Chafee Foster Care Independence Program	93.674	G-1801MNCLIP	11,300
Children's Health Insurance Program	93.767	1805MN5R21	302
Medicaid Cluster			
Medical Assistance Program	93.778	1805MN5ADM	2,037,072
Medical Assistance Program	93.778	1805MN5MAP	17,219
(Total Medical Assistance Program 93.778 $2,054,291)			
Total U.S. Department of Health and Human Services			**$ 4,696,931**

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

EXHIBIT D-3
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers		Expenditures
U.S. Department of Homeland Security				
Passed through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	KANDIYOHI FBE-062718 and KANDIYOHI FBP-100918	$	9,821
Passed through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	A-EMPG-2018-KANDICO-035		29,116
Total U.S. Department of Homeland Security			**$**	**38,937**
Total Federal Awards			**$**	**6,178,504**
Totals by Cluster				
Total expenditures for SNAP Cluster			$	324,692
Total expenditures for Highway Planning and Construction Cluster				626,698
Total expenditures for Highway Safety Cluster				54,617
Total expenditures for TANF Cluster				687,196
Total expenditures for CCDF Cluster				12,253
Total expenditures for Medicaid Cluster				2,054,291

Kandiyohi County did not pass any federal awards through to subrecipients during the year ended December 31, 2018.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. Reporting Entity

   The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Kandiyohi County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include $2,079,336 in federal awards expended by the Kandiyohi County Housing and Redevelopment Authority discretely presented component unit, which had a separate single audit performed by other auditors.

2. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Kandiyohi County under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Kandiyohi County, it is not intended to and does not present the financial position or changes in net position of Kandiyohi County.

3. Summary of Significant Accounting Policies

   Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Kandiyohi County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	6,124,568
Grants received more than 60 days after year-end, considered unavailable revenue in 2018		
Special Supplemental Nutrition Program for Women, Infants, and Children		90,173
Immunization Cooperative Agreements		850
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds		950
Pregnancy Assistance Fund Program		40,158
Promoting Safe and Stable Families		2,169
Temporary Assistance for Needy Families		215,492
Community-Based Child Abuse Prevention Grants		4,230
Stephanie Tubbs Jones Child Welfare Services Program		2,065
Chafee Foster Care Independence Program		6,800
Unavailable revenue in 2017, recognized as revenue in 2018		
Promoting Safe and Stable Families		(2,610)
Temporary Assistance for Needy Families		(262,511)
Child Support Enforcement		(32,400)
Community-Based Child Abuse Prevention Grants		(4,149)
Stephanie Tubbs Jones Child Welfare Services Program		(2,206)
Chafee Foster Care Independence Program		(5,075)
Expenditures Per Schedule of Expenditures of Federal Awards	$	6,178,504

Management and Compliance Section

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

Independent Auditor's Report

Board of County Commissioners
Kandiyohi County
Willmar, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 18, 2019. Our report includes a reference to other auditors who audited the financial statements of the Kandiyohi County Housing and Redevelopment Authority (HRA) for the year ended June 30, 2018, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-008 and 2017-001, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Kandiyohi County administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Kandiyohi County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as items 1996-003 and 2018-005. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Kandiyohi County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 18, 2019

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

Independent Auditor's Report

Board of County Commissioners
Kandiyohi County
Willmar, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Kandiyohi County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2018. Kandiyohi County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Kandiyohi County's basic financial statements include the operations of the Kandiyohi County Housing and Redevelopment Authority (HRA) component unit, which expended $2,079,336 in federal awards during the year ended June 30, 2018, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Kandiyohi County HRA because other auditors were engaged to perform a single audit in accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kandiyohi County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kandiyohi County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

As described in the accompanying Schedule of Findings and Questioned Costs, Kandiyohi County did not comply with requirements regarding CFDA No. 93.778, Medical Assistance Program, as described in finding number 2018-001 for Eligibility and finding number 2018-004 for Identification of Federal Awards. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Kandiyohi County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended December 31, 2018.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Kandiyohi County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002 and 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-004, that we consider to be material weaknesses, and deficiencies 2018-002 and 2018-003, that we consider to be significant deficiencies.

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

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

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 18, 2019

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KANDIYOHI COUNTY
WILLMAR, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

The major federal programs are:

TANF Cluster	
Temporary Assistance for Needy Families	CFDA No. 93.558
Medicaid Cluster	
Medical Assistance Program	CFDA No. 93.778

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

Kandiyohi County qualified as a low-risk auditee? **Yes**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 1996-008

Segregation of Duties

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

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

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

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

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

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

View of Responsible Official: Acknowledged

Finding Number 2017-001

Audit Adjustments

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

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

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

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

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

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

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding Number 2018-001

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award Nos. 1805MN5ADM and 1805MN5MAP, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

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

- Seventeen case files had documented assets, such as bank accounts, that did not support the information entered into MAXIS.
- Two case files had income that could not be appropriately determined based on the support that was provided.
- One case file did not have a cost-effective health insurance determination on file when the client had additional insurance.
- One case file did not have a signed application on file.
- One case file was approved for benefits using the incorrect application form.

- One case file had an incomplete application on file.

- Two cases had an authorized representative or power of attorney sign the application for benefits; however, there was no support in the case file to support the individual authorized signer.

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

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

Context: The State of Minnesota contracts with the County Family Services Department to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility), while the Minnesota DHS maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

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

Effect: The lack of documented verification of key eligibility-determining factors and the improper input of information into MAXIS increases the risk that participants will receive benefits when they are not eligible. Supervisory reviews not performed on a formal basis increases the probability that staff errors will go undetected.

Cause: County program personnel gathering and entering case information into the MAXIS system did not ensure all required information was completed, obtained, verified, maintained in the case files, or updated in the MAXIS system. Staff have not developed a formal process to perform supervisory reviews on a consistent basis.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support Medical Assistance Program eligibility determinations exists, is properly input into MAXIS, is maintained in the case files, and issues are followed up in a timely manner. In addition, supervisory case reviews specific to the Medical Assistance Program should be performed and consideration should be given to providing additional training to County program personnel.

View of Responsible Official: Concur

Finding Number 2018-002

Procurement, Suspension, and Debarment

Programs: U.S. Department of Health and Human Services' Temporary Assistance for Needy Families (CFDA No. 93.558), Award No. 1801MNTANF, 2018

U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) state that the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Non-federal entities must follow further federal guidance over full and open competition as provided in Title 2 U.S. *Code of Federal Regulations* § 200.319; cost/price analysis provided in Title 2 U.S. *Code of Federal Regulations* § 200.323; and verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, and 200.318(h).

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

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

- One small purchase contract for TANF did not have sufficient documentation to detail the history of the procurement, nor that there was full and open competition. The contract also did not include a contract clause for suspension and debarment, nor were verification procedures performed to determine that the vendor was not suspended or debarred.

Questioned Costs: None.

Context: A sample of two contracts exceeding the simplified acquisition threshold were tested, two for the MA program, one of which was also a contract for TANF; these were also tested for suspension and debarment. A sample of one contract within the small purchase threshold was tested for the TANF program; it was also tested for suspension and debarment.

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

Effect: The County is not in compliance with federal grant requirements.

Cause: The suspension and debarment language was not included in all of the County's contracts with vendors. The County used a state contract which lists multiple vendors and relied on this contract instead of receiving quotes from the approved vendors.

Recommendation: We recommend the County ensure all contracts include a suspension and debarment contract clause or verify vendors are not suspended or disbarred. We also recommend the County maintain quotes and/or bids received or document why quotes or bids were not considered necessary, and provide reasonable explanations. We further recommend a cost/price analysis is performed for every procurement transaction exceeding the simplified acquisition threshold.

View of Responsible Official: Acknowledged

Finding Number 2018-003

<u>Eligibility</u>

Program: U.S. Department of Health and Human Services' Temporary Assistance for Needy Families (CFDA No. 93.558), Award No. 1801MNTANF, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

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

- One case file did not have an appropriate income verification on file, and the information provided did not match what was in MAXIS.

- One case file did not have a Disqualification statement signed on file to indicate whether or not they, or any other member of their household, have been convicted of a felony or attempt to commit a felony, or are violating conditions of their probation.

- One case file did not have a supported citizenship verification on file.

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

Context: The State of Minnesota contracts with the County Family Services Department to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility), while the Minnesota DHS maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

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

Effect: The lack of documented verification of key eligibility-determining factors and the improper input of information into MAXIS increases the risk that participants will receive benefits when they are not eligible. Supervisory reviews not performed on a formal basis increases the probability that staff errors will go undetected.

Cause: County program personnel gathering and entering case information into the MAXIS system did not ensure all required information was completed, obtained, verified, maintained in the case files, or updated in the MAXIS system. Staff have not developed a formal process to perform supervisory reviews on a consistent basis.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support Temporary Assistance for Needy Families eligibility determinations exists, is properly input into MAXIS, is maintained in the case files, and issues are followed up in a timely manner. In addition, supervisory case reviews specific to Temporary Assistance for Needy Families should be performed and consideration should be given to providing additional training to County program personnel.

View of Responsible Official: Concur

Finding Number 2018-004

Identification of Federal Awards

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award Nos. 1805MN5ADM and 1805MN5MAP, 2018

Pass-Through Agency: Minnesota Department of Human Services

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

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

Questioned Costs: Not applicable.

Context: After audit adjustments and reclassifications, expenditures for the Medical Assistance Program were $2,054,291.

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

Cause: The County did not properly identify federal expenditures of $114,121 related to the Medical Assistance Program.

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

View of Responsible Official: Concur

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 1996-003

Ditch Special Revenue Fund – Cash and Equity Balances

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

Condition: Twenty-eight of the 99 individual ditch systems had deficit cash balances totaling $793,540 at December 31, 2018. This amount increased from the prior year when 28 of the 99 individual ditch systems had deficit cash balances totaling $685,263. Thirty one of the 99 individual ditch systems had deficit fund balances totaling $1,354,210 at December 31, 2018. This amount increased from the prior year when 34 of the 99 individual ditch systems had deficit fund balances totaling $1,259,835.

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

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

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

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

View of Responsible Official: Acknowledged

ITEM ARISING THIS YEAR

Finding Number 2018-005

Contracting and Bidding Compliance

Criteria: Minnesota statutes contain requirements for the contracting and bidding processes used by local governments.

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

- Withholding Affidavit for Contractors (IC-134): Referring to the withholding of income taxes by the contractor or subcontractor, Minn. Stat. § 270C.66 states that, "No . . . political or governmental subdivision of the state shall make final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor and by subcontractors until satisfactory showing is made that said contractor or subcontractor has complied with the provisions of section 290.92." For two of the seven contracts tested that included the employment of individuals for wages by the contractor and where final payment had been made, the final payment was issued prior to receiving a Minnesota Department of Revenue approved Form IC-134, which requires the reporting of employee withholdings, from the contractor.

- Contractor's Performance and Payment Bond: During 2018, Minn. Stat. § 574.26 required contractors doing public work to give both a performance bond and a payment bond in an amount not less than the contract price if the contract is more than $100,000 ($175,000 if the contract is let on or after August 1, 2018). For one of five contracts over $100,000 tested, the County could not provide evidence showing it received a performance bond or a payment bond. The contract totaled $157,045.

Context: Individual County departments are responsible for overseeing the contracting and bidding process for their own projects and purchases.

Effect: Noncompliance with Minn. Stat. §§ 270C.66 and 574.26.

Cause: Staff from one County department were not aware of all of the contract requirements.

Recommendation: We recommend the County update its policy and procedures manual to include contracting requirements, so the County departments that oversee the contracting process for their own projects will be aware of the statutory requirements to ensure compliance with applicable statutes for all future contracts.

View of Responsible Official: Concur

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MARK THOMPSON
AUDITOR/TREASURER

REPRESENTATION OF KANDIYOHI COUNTY
WILLMAR, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Name of Contact Person Responsible for Corrective Action:

Karen Anderson, Fiscal Manager

Corrective Action Planned:

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

Anticipated Completion Date:

Immediately and ongoing.

Finding Number: 2017-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Karen Anderson, Fiscal Manager

Corrective Action Planned:

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

Anticipated Completion Date:

Immediately and ongoing

Finding Number: 2018-001
Finding Title: Eligibility
Program Name: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Deb Grunwald and Leah Young, Eligibility Supervisors

Corrective Action Planned:

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

Anticipated Completion Date:

Immediately and ongoing

Finding Number: 2018-002
Finding Title: Procurement, Suspension, and Debarment
Program Names: Temporary Assistance for Needy Families (CFDA No. 93.558) and Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Jennie Lippert, Health and Human Services Director

Corrective Action Planned:

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

Anticipated Completion Date:

Immediately and ongoing

Finding Number: 2018-003
Finding Title: Eligibility
Program Name: Temporary Assistance for Needy Families (CFDA No. 93.558)

Name of Contact Person Responsible for Corrective Action:

Deb Grunwald and Leah Young, Eligibility Supervisors

Corrective Action Planned:

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

Anticipated Completion Date:

Immediately and ongoing

Finding Number: 2018-004
Finding Title: Identification of Federal Awards
Program Name: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Karen Anderson, Fiscal Manager

Corrective Action Planned:

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

Anticipated Completion Date:

Immediately and ongoing

Finding Number: 1996-003
Finding Title: Ditch Special Revenue Fund – Cash and Equity Balances

Name of Contact Person Responsible for Corrective Action:

Karen Anderson, Fiscal Manager

Corrective Action Planned:

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

Anticipated Completion Date:

Immediately and ongoing

Finding Number: 2018-005
Finding Title: Contracting and Bidding Compliance

Name of Contact Person Responsible for Corrective Action:

Karen Anderson, Fiscal Manager

Corrective Action Planned:

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

Anticipated Completion Date:

Immediately and ongoing

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AUDITOR/TREASURER

REPRESENTATION OF KANDIYOHI COUNTY
WILLMAR, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Summary of Condition: Several of the County's departments that collect fees lack proper segregation of duties.

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

Status: Partially Corrected. Kandiyohi County is continuing to oversee procedures to ensure that the internal policies and procedures are being followed.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2017-001
Finding Title: Audit Adjustments

Summary of Condition: Audit adjustments and reclassifications were prepared which resulted in significant changes to Kandiyohi County's financial statements and Schedule of Expenditures of Federal Awards (SEFA). The audit adjustments and reclassifications were reviewed and approved by the appropriate staff and reflected in the financial statements and SEFA.

Summary of Corrective Action Previously Reported: In the future, adjustments will be made by County personnel.

Status: Partially Corrected. The County Auditor/Treasurer's staff will monitor transactions to ensure they are recorded in the proper accounts. Please see Corrective Action Plan for explanation.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 1996-003
Finding Title: Ditch Special Revenue Fund – Cash and Equity Balances

Summary of Condition: Twenty-eight of the 99 individual ditch systems had deficit cash balances totaling $685,263 and thirty-four had deficit fund balances totaling $1,259,835 at December 31, 2017.

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

Status: Partially Corrected. One year ditch liens will continue to be issued and the Board will continue to approve the transfer of funds if needed.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___