

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)**  
**JOINT OPERATIONS BOARD OF DIRECTORS (OB) MEETING**  
**MINUTES**  
**January 9, 2020**  
**EDC Board Room, Willmar**

Present: Art Benson, Rollie Boll, Donna Boonstra, Jesse Gislason, Les Heitke (via teleconference), Kerry Johnson and Kelly TerWisscha

Ex Officio: Roger Imdieke and Dave Ramstad

Guests: Scott Van Buren and Kasey Nelson of Westberg Eischens, PLLP; and Ron Kresha of Golden Shovel (via video conference)

Staff: Aaron Backman, Executive Director and Connie Schmoll, Business Development Manager

Secretarial: Nancy Birkeland, Legal & Administrative Assistants, Inc. (LAA)

President Kelly TerWisscha called the meeting to order at approximately 11:00 a.m. and declared a quorum was present.

**AGENDA**—Added to the Consent Agenda were removal of Dan Tempel from the Business Retention and Expansion/Recruitment Committee, removal of Donn Winckler and Brian Mort from the Broadband and Advanced Technology Committee and added to the Agenda under New Business, Other, was the Community Venture Network Agreement and invoice.

IT WAS MOVED BY Rollie Boll, SECONDED BY Donna Boonstra, to approve the revised Agenda and Consent Agenda. MOTION CARRIED.

**CONSENT AGENDA—**

- Approve:
1. Minutes of December 12, 2019 meeting
  2. Financial reports as of December 31, 2019
  3. Payment of bills
    - a. Westberg Eischens \$8,500 for the 2018 audit
    - b. REDstar of \$3,620 from the Marketing and Public Relations Committee's budget
  4. Removal of committee members:
    - a. Dan Tempel from the Business Retention and Expansion/Recruitment Committee; and
    - b. Donn Winckler and Brian Mort from the Broadband and Advanced Technology Committee

Accept: Committee/Subcommittee Minutes

1. Agriculture and Renewable Energy Development 9/19 and 11/21/2019
2. Broadband and Advanced Technology 12/2/2019
3. Business Retention Expansion/Recruitment 12/6/2019
4. Marketing and Public Relations 10/28/2019
5. Leisure Travel 12/2/2019

**UNFINISHED BUSINESS**—There was no unfinished business.

## **NEW BUSINESS**

**2018 Audit.** Scott Van Buren presented the 2018 audit (see attached) noting it is in full compliance with the Government Accounting Standards Board (GASB) and is a clean or unqualified opinion. The audit includes a Management's Discussion and Analysis, which is new for the EDC's audit, but has been a requirement for several years. The Management's Discussion and Analysis helps new board members and others understand the work being done by the EDC. Pages 6-9 contain comparative financial information from 2017 to 2018. Cash increased due to the EDC receiving the assets of the Willmar Area Multicultural Business Center (WAMBC). Kasey Nelson reviewed the Balance Sheet on page 10. The net pension liability is new and is per GASB Statement No. 68 related to Public Employee's Retirement Association (PERA) benefits and is just under one year's payroll. Detail is included in the notes. Revenues and expenditures were comparable from 2017 to 2018. The transfer of \$103,472 is the WAMBC assets. Page 12 is a comparison of actual to budget. Expenditures were less than budget, mainly due to grants not being received, the unexpended TIGER II grant and lower professional fees. Van Buren noted the EDC did well compared to its budget. Fund Balances are noted on page 16, 63% of which is unrestricted. Restricted balances include loan funds, the CEO program, tourism development and other smaller balances. Deposits are required to be insured by the FDIC and page 17 shows the required amount was insured. Note 8 on page 25 is relative to the transfer of WAMBC assets. The assets were capitalized as assets of the EDC. Note 9 on page 25 is the adjustment for PERA that had to be implemented per GASB. The notes on page 31 disclose that Westberg Eischens prepared financial statements. As to the separation of duties on page 32, Van Buren stated that due to a small staff and organization, it is hard to keep duties separate, which is not uncommon. Van Buren indicated this is where board involvement comes in. Westberg Eischens also disclosed on page 33 that it made material adjustments to the financials, mainly due to PERA and setting up an allowance for the CEO loans. Aaron Backman noted the CEO program is a pass through and work is done at the direction of the CEO board.

[Van Buren and Nelson were excused from the meeting.]

IT WAS MOVED BY Rollie Boll, SECONDED BY Jesse Gislason, to recommend to the Joint Powers Board that it accept the 2018 audit as presented. MOTION CARRIED.

**Date for Boards' Annual Strategic Planning Session.** Backman proposed holding the boards' annual planning session on Thursday, March 26, 2020 from about 9:00 a.m. to 3:00 p.m. Backman recommended it again be held at the Community Room of Kandiyohi Power Cooperative, if it is available. Another possibility is Heritage Bank's new board room. The date will be given to the Joint

Powers Board. Backman also recommended the same facilitator as last year, Cheryl Glaeser. Connie Schmoll noted that last year the board discussed doing a two-year plan for continuation of work; thus, the same facilitator would be beneficial.

**Community Venture Network.** Backman stated the EDC has been a member of the Community Venture Network (CVN) for several years and he recommended continuing the membership (see attached). CVN has memberships from more than 20 communities. Presentations are given monthly in the Twin Cities by businesses looking for a new location or a place for expansion.

IT WAS MOVED BY Rollie Boll, SECONDED BY Jesse Gislason, to approve entering into the Agreement for Professional Services Between MinnWest Technology Campus, the Kandiyohi County and City of Willmar Economic Development Commission and Essex Capital, LLC and paying the invoice of \$2,125 for membership in the Community Venture Network. MOTION CARRIED.

## **ANNUAL MEETING**

**Regular Board Meeting Date, Time and Location.** It was the consensus of the board to continue meeting on the second Thursday of each month at 11:00 a.m. at the EDC office.

**Retiring Directors.** Backman announced Donna Boonstra's and Les Heitke's terms ended December 31, 2019. Both indicated they are willing to continue for another term. Backman will inform the Joint Powers Board.

**Assignment of Board Members to Standing Committees.** Board members volunteered for committee assignments as follows:

Agriculture & Renewable Energy Development—Rollie Boll  
Broadband and Advanced Technology—Donna Boonstra  
Business Retention & Expansion/Recruitment—Les Heitke and Kelly TerWisscha  
Finance Committee—Kerry Johnson  
Marketing and Public Relations—Donna Boonstra and Jesse Gislason  
Leisure Travel (CVB)—Art Benson

**Appointment of Two Board Members to Perform Executive Director's Annual Review.** It was the board's consensus that Kelly TerWisscha and Kerry Jensen as president and vice president serve on the committee to perform the Executive Director's annual review.

**Appointment of Two Board Members to Audit Committee.** Boll volunteered to continue on the Audit Committee and Jesse Gislason also volunteered.

## **Election of 2020 Officers.**

IT WAS MOVED BY Donna Boonstra, SECONDED BY Jesse Gislason, to re-elect the following officers: Kelly TerWisscha, president; Kerry Johnson, vice president; Art Benson, secretary and Rollie Boll, treasurer. MOTION CARRIED.

## PROGRESS REPORTS

**Willmar/Willmar Industrial Park.** Backman reported the following:

- Herzog continues construction with completion expected later this year;
- Zeigler CAT's main building is enclosed and interior work continues;
- the Willmar Wye project continues to move along and will start bridge work later this month; and
- Bethesda stopped construction in New London after the initial site preparation due to land issues; they anticipate resuming work in the spring.

Dave Ramstad reported the City of Willmar issued more than 700 building permits in 2019 and there was \$63 million in construction, which is one of the highest ever. The City of Willmar's revenues were good. About 4% of the total construction was done in the Opportunity Zone. The City of Willmar has been working in collaboration with the EDC to do the Renaissance Zone overlay of the Opportunity Zone and working on broad incentives. Ramstad will get feedback on the proposed incentives from the Planning and Development Committee next Monday. If approved, they will then go to the Planning Commission followed by the City Council. Incentives for the Opportunity Zone include free building permits, no sewer availability charges (SAC), no water availability charges (WAC), abatements for commercial and housing projects. The Renaissance Zone is proposed for a five-year pilot program. Ramstad researched what other communities have done. Some of the proposed incentives may be replicated for the Willmar Industrial Park.

### Strategic Priority Areas.

**Agricultural Innovation.** Schmoll reported the Agriculture and Renewable Energy Development Committee continues to work on exploring industrial hemp production. Planning has started for the Partners In Ag Innovation Conference to be held July 30, 2020. Schmoll has been very pleased with the EDC's partnership with MinnWest Technology Campus. At a meeting today, the group reviewed last year's conference. Economic development may be the focus of the conference this year. The expansion of Simply Shrimp is now public knowledge and an article was in the *West Central Tribune*. The Commissioner of the Minnesota Department of Agriculture, Governor Walz and Senator Lang recently toured Simply Shrimp, which was also covered by Channel 5 News.

**Broadband.** Schmoll reported the Broadband and Advanced Technology Committee received the results of the survey done by Compass Consultants for the townships of Dovre, Mamre and St. John. The cost is higher than expected and the number of people affected is less than planned. Schmoll will present the results to the County Commissioners and then to the township supervisors. A representative from Arvig attended the committee's last meeting and stated Arvig could only pay 15% of the costs and suggested the state grant application be for 45% or less. The estimated cost is approximately \$3.9 million with 432 sites qualifying as being unserved or under served. Arvig estimated 50% of the residents would sign up. Roger Imdieke stated Dean Bouta and Glenn Otteson, who are familiar with broadband projects, were surprised with the high estimate. It is possible another provider could look at a project. Imdieke stated Otteson is working on a project in Pope County and will compare the costs. The cost is more than \$9,000 per premise.

**Business Support.** Backman distributed and reviewed his final report for the Retail Business Design Workshops (see attached). The report was required for the grant received from the United Way and the Willmar Area Community Foundation. Backman noted three of the businesses were

featured in the *West Central Tribune* and one was featured on WCCO TV. Backman may survey the participating businesses mid-year in 2020. The participants have continued to meet after the workshops ended. University of Minnesota Extension is considering replicating the program in other communities. Jackie Parr, a University of Minnesota College of Design doctoral student has been invited to make a presentation on the workshops at a collegiate retail conference in New Orleans. Schmoll stated a presentation on the workshops will be given to economic development representatives in the future.

**Workforce Development.** Schmoll reported the community video continues to be fine tuned. Backman highlighted the Women-on-the-Move training opportunity that will be held in February 2020 at Ridgewater College (see attached). Backman announced Ridgewater College raised the necessary funds to purchase a CDL simulator that will arrive in April. Backman provided information from a Kandiyohi County profile recently done by Luke Greiner of the Minnesota Department of Employment and Economic Development. The top four areas that need workforce are construction, transportation warehousing, healthcare and professional services.

**Childcare.** Schmoll reported she attended the ribbon cutting ceremony for the Spicer Early Learning Center, which is now open. Willmar Child Care Center has submitted its application for a license and continues to seek additional funds to open. The childcare leadership group continues to meet and will hear about grants at their next meeting.

**Opportunity Zone Marketing.** Backman distributed the penultimate version of the Prospectus that had a limited printing (see attached) and thanked Ramstad and his staff for working on the maps included in the Prospectus.

[Ron Kresha of Golden Shovel joined the meeting via video conference.]

Ron Kresha spoke about the Minnesota Opportunity Zone program, as well as the national program. Willmar will be added to the national activity map once the Prospectus is final. The challenge now is to get local investors to create a fund and invest in the program. Kresha stated the Prospectus is a research-based document rather than a marketing document, which is better for investors. Willmar is the first Minnesota community Golden Shovel is working with that has moved forward with a Prospectus. Some communities have only done a web page with a map. Backman presented the Prospectus at a developer meeting this morning, which generated interest. The hot spot map shows projects throughout the City of Willmar in the last few years. The Opportunity Zone allows for improvements on the east side of First Street in the zone. Backman has already had a conversation with an investor group from St. Louis Park. Kresha stated the team wanted to make sure the information in the Prospectus was accurate and includes teaser information to encourage the reader to contact the EDC. Kresha stated the next step is for Golden Shovel to do a media packet and work with REDstar Creative to get a landing page on the EDC's website. The Prospectus may need revisions in February. Golden Shovel is writing an inclusion article and will use Willmar's Prospectus as an example. Kresha stated he receives three to four contacts a week from investors. Next steps also include someone or a group starting a limited liability company to set up a fund and get commitments for projects. Backman stated Kresha will also present the Prospectus to the Joint Powers Board at its meeting in January. Kresha recommended the EDC host community meetings on the Opportunity Zone.

[Ramstad was excused from the meeting.]

Kresha is willing to market Willmar's Opportunity Zone above and beyond the Prospectus. The board discussed the expectation of there being a project before investors provide funding. Backman noted there may be local investors who have capital gains to invest. Board members indicated creating an actual fund was new information and asked if the West Central Angel Fund could include the Opportunity Zone fund? Schmoll stated the West Central Angel Fund is more venture capital than real estate development. Kerry Johnson recommended the locations of some of the hot spots be identified on the map.

[Kresha was excused from the meeting.]

**Highway 23 Coalition Update.** Donna Boonstra reported the Highway 23 Coalition adopted a mission statement, "Citizens advocating for a four-lane highway" and hired Bob Byrnes of Marshall as its coordinator. Boonstra distributed the 2020 Priority Projects map (see attached).


**Business Visits and Meetings.** Backman reported he presented the Innovative Business Development Public Infrastructure grant for the EpiTopix project to the Willmar City Council, which was formally accepted. The Willmar Township Board of Supervisors unanimously agreed to the orderly annexation process. See Backman and Schmoll's reports for additional information.

**NEXT MEETING**—The next board meeting is **11:00 a.m., Thursday, February 13, 2020**, at the EDC Office, Willmar.

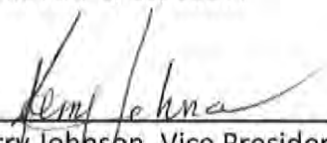
**ADJOURNMENT—**

IT WAS MOVED, SECONDED AND CARRIED to adjourn the meeting.

The meeting was adjourned at approximately 1:12 p.m.

  
\_\_\_\_\_  
Art Benson, Secretary

APPROVED: 2/13/2020:

  
\_\_\_\_\_  
Kerry Johnson, Vice President

**KANDIYOHI COUNTY AND CITY OF WILLMAR  
ECONOMIC DEVELOPMENT COMMISSION  
WILLMAR, MINNESOTA**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED  
December 31, 2018**

WESTBERG EISCHENS, PLLP  
Certified Public Accountants  
Willmar, Minnesota 56201

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**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION  
BOARD OF DIRECTORS  
December 31, 2018**

<u>Position</u>	<u>Name</u>	<u>Term Expires</u>	<u>Representing</u>
Board of Directors – Joint Powers Board			
Chair	Kathy Schwantes	12/31/2018	City of Willmar
Vice-Chair & EDCOB Liaison	Roger Imdieke	12/31/2018	Kandiyohi County
Secretary	Roland Nissen	12/31/2018	Kandiyohi County
Treasurer	Andrew Plowman	12/31/2018	City of Willmar
Board Member	Harlan Madsen	12/31/2018	Kandiyohi County
Board Member	Fernando Alvarado	12/31/2018	City of Willmar
Board of Directors – Operations Board			
President	Donna Boonstra	12/31/2019	
Vice President	Kelly TerWisscha	12/31/2020	
Secretary	Art Benson	12/31/2018	
Treasurer	Roland Boll	12/31/2018	
Board Member	Robert Carlson	12/31/2018	
Board Member	Lester Heitke	12/31/2019	
Board Member	Kerry Johnson	12/31/2020	
Ex-Officio	Bruce Peterson	Annually	

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Kandiyohi County and City of Willmar Economic Development Commission

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of the Kandiyohi County and City of Willmar Economic Development Commission (EDC), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the EDC'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 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 entity'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 entity'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Kandiyohi County and City of Willmar Economic Development Commission, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Change in Accounting Principle*

As discussed in Note 9 to the financial statements, the EDC adopted new accounting guidance, *GASB Statement 68, Accounting and Financial Reporting for Pensions*. 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, schedule of proportionate share of net pension liability, and schedule of employer contributions on pages 4-9 and 26-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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.

### *Other Information*

The Board of Directors section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the Kandiyohi County and City of Willmar Economic Development Commission'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 the EDC'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 the EDC's internal control over financial reporting and compliance.

Westberg Eischens, PLLP

Westberg Eischens, PLLP  
Willmar, Minnesota

December 18, 2019

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018**

**Introduction**

The Kandiyohi County and City of Willmar Economic Development Commission (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 Minnesota Laws, First Special Session, Chapter 1, Article 17. The EDC was set up to encourage, attract, promote, and develop economically sound industry and commerce within the County and City.

The EDC has two boards – the Joint Operations Board and the Joint Powers Board. The Joint Operations Board of Directors consists of seven members, primarily representatives from businesses, that meet monthly and review day-to-day functions of the EDC. The Joint Powers Board of Directors consists of six members, three Kandiyohi County commissioners and three Willmar City Council members, that meet quarterly to set policies for the organization, appoint members to the Joint Operations Board, approve the EDC budget, and act as final authority for business loan approvals.

Among the significant activities of the EDC are:

- Providing gap loans (or subordinate loans) to small businesses in Kandiyohi County.
- Providing technical and financial assistance to businesses of all sizes.
- Assisting entrepreneurs to start a business, including diverse business owners.
- Marketing efforts to promote the Kandiyohi County area to existing and prospective businesses locally, regionally, and nationally, including through social media marketing.
- Undertaking Business, Retention, and Expansion (BRE) surveys to better understand local business needs.
- Continuing to support feasibility studies for new agricultural ventures both in terms of money and staff time.
- Continuing to plan for and hold ag-related events (e.g. in 2019 the proposed Partners in Ag Innovation Conference in Willmar).
- Continuing to be a funder and collaborator of the co-working space WORKUP located at the MinnWest Technology Campus.
- Supporting partners in major infrastructure efforts (e.g. Willmar Railroad Wye; Hwy 23 Coalition; Industrial Park expansions in the county, etc.).
- Continuing to provide leadership on the development of affordable housing projects.
- Continuing to provide support for a variety of housing, including senior housing multi-family rental units, single-family homes, market-rate housing, etc.
- Supporting private and public partners to address the need for adequate child care throughout Kandiyohi County.
- Supporting workforce events and programs in Kandiyohi County (e.g. West Central MN Area Job Fair and the CLUES workforce programs, including Diverse CNA and Diverse Welding classes).
- Supporting private and public partners to extend high-speed broadband to all parts of Kandiyohi County.

The EDC presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2018, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, issued June 1999.

The EDC's December 31, 2018 annual financial report consists of two parts – the management's discussion and analysis and the basic financial statements (which include notes to those financial statements).

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018**

**Financial Highlights**

Under GASB 34, the Kandiyohi County and City of Willmar Economic Development Commission's single government activities financial statement for December 31, 2018, report on all of the EDC's assets, liabilities, revenues, expenses and net position under the programs it administers. In summary, the EDC's financial highlights include the following:

- Ø Total assets of the EDC were approximately \$1 million at December 31, 2018. Total deferred outflows of resources were approximately \$31 thousand at December 31, 2018. Total liabilities of the EDC were approximately \$172 thousand at December 31, 2018. Total deferred inflows of resources were approximately \$56 thousand at December 31, 2018. Thus, total net position was approximately \$809 thousand at December 31, 2018.
- Ø Total revenue increased by approximately \$300 during the year ended December 31, 2018. Total revenues were approximately \$566 thousand for the year ended December 31, 2018.
- Ø Total expenses increased by approximately \$21 thousand during the year ended December 31, 2018. Total expenses were approximately \$513 thousand for the year ended December 31, 2018.
- Ø Net position increased by approximately \$2 thousand for the year ended December 31, 2018, including a transfer and prior period adjustment.

**Financial Statements**

The EDC is presenting its discussion and analysis based on the financial results of its programs in two basic financial statements – the statement of net position and the statement of activities. The statement of net position (similar to a balance sheet) reports all financial and capital assets of the EDC and is presented in a format where assets equal liabilities plus net position. Net position is broken down into the following categories:

- Ø *Net investment in capital assets* - consists of all capital assets net of accumulated depreciation and reduced by the outstanding balances of the capital assets' related debt.
- Ø *Restricted net position* - consists of assets which uses are restricted by donors, grantors or other legally binding obligations.
- Ø *Unrestricted net position* - consists of net position that do not meet the definition of net investment in capital assets or restricted net position.

The statement of activities (similar to an income statement) includes operating revenues, such operating expenses, administrative, and depreciation. The statement's focus is the change in net position (similar to net income or loss).

These financial statements utilize the economic resources measurement focus and the accrual basis of accounting. They report the EDC's net position and changes in net position in full compliance with GASB 34. Under the accrual basis of accounting, revenues are recognized in the period they are received and expenses in the period when they are incurred and posted.

This entity-wide presentation represents several programs and activities. The EDC has five standing committees that are funded on a yearly basis – Ag/Renewal Energy Development, Broadband & Advanced Technology, Business Retention & Expansion, Finance, and Marketing & Public Relations. These are active committees with over 50 volunteers that serve on them. The EDC budgeted \$85,380 for EDC Committee expenses and actual expenditures totaled \$85,684 in 2018. This included \$34,000 that is provided to the Willmar Lakes Area Convention & Visitors Bureau (CVB) for marketing purposes. These programs are financed by county funds, state and federal grants, and other (charges and fees).

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018**

**Net Position**

Table I reflects the EDC's condensed summary of the statement of net position as of December 31, 2018, with comparative amounts for 2017.

**Table I  
Summary of Statement of Net Position  
As of December 31**

<u>Description</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current and other assets	\$ 993,238	\$ 831,436	\$ 161,802
Capital assets, net	<u>12,441</u>	<u>12,124</u>	<u>317</u>
Total assets	<u>1,005,679</u>	<u>843,560</u>	<u>162,119</u>
Deferred outflows related to pension	<u>30,584</u>	<u>-</u>	<u>30,584</u>
Total deferred outflows of resources	<u>30,584</u>	<u>-</u>	<u>30,584</u>
Current and other liabilities	27,547	36,718	(9,171)
Long-term liabilities	<u>144,237</u>	<u>-</u>	<u>144,237</u>
Total liabilities	<u>171,784</u>	<u>36,718</u>	<u>135,066</u>
Deferred inflows related to pension	<u>55,548</u>	<u>-</u>	<u>55,548</u>
Total deferred inflows of resources	<u>55,548</u>	<u>-</u>	<u>55,548</u>
Net position			
Net investment in capital assets	12,441	12,124	317
Restricted net position	287,187	354,857	(67,670)
Unrestricted net position	<u>509,303</u>	<u>439,861</u>	<u>69,442</u>
Total net position	<u>\$ 808,931</u>	<u>\$ 806,842</u>	<u>\$ 2,089</u>

Investments in capital assets comprise about 1% of the EDC's total assets and about 2% of the total net position.

It was a positive year for the EDC's 2018 statement of net position. Current and other assets increased by \$161,802 and for the first time assets of the organization exceeded \$1 million. The largest contributor for the increase in assets was the transfer of assets from the Willmar Area Multicultural Business Center (WAM-BC), a 501(c)3 non-profit organization that assisted diverse business entrepreneurs. First added in November 2018, the WAM-BC assets added \$50,989 in cash, \$50,336 in loans receivable, and \$2,147 in capital assets to the statement of net position.

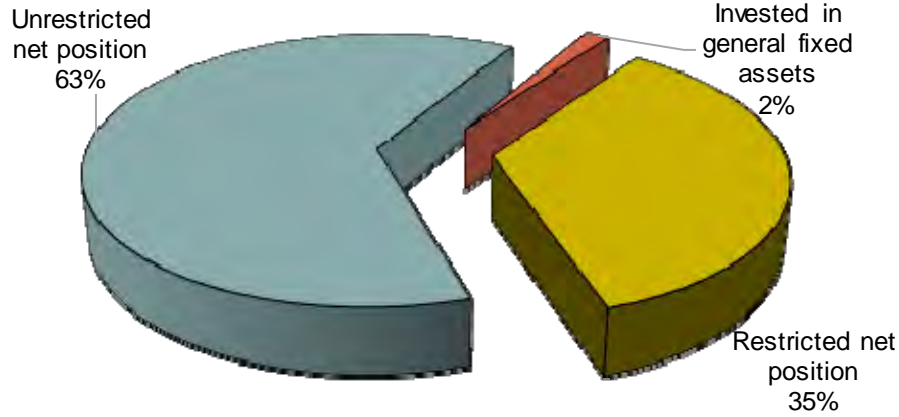
The long-term liabilities increased based on the adoption of GASB 68 in 2018.

Unrestricted net position includes cash, receivables, and other assets, less all other liabilities not previously applied. The following graph illustrates the relative percentage of the EDC's net position for net investment in capital assets, restricted net position, and unrestricted net position:

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018**

**Net Position (continued)**

**Net Position as of December 31, 2018**



In July of 2018 the Joint Powers Board approved setting a \$100,000 reserve for the WAM-BC loan fund and increasing the reserves of the EDC's Revolving Loan Fund (RLF) to \$300,000 effective the beginning of 2019.

**Statement of Activities**

The results of the EDC's operations are reported in the statement of activities. Table II presents a condensed summary of data from the EDC's statements of activities.

**Table II  
Summary of Statement of Activities  
Years Ended December 31**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues			
Program revenues:			
Intergovernmental	\$ 1,068	\$ 15,000	\$ (13,932)
Charges for services	435	466	(31)
General revenues:			
Property taxes	516,461	498,765	17,696
Interest income	14,870	11,562	3,308
Other income	33,040	39,786	(6,746)
Total revenues	<u>565,874</u>	<u>565,579</u>	<u>295</u>
Expenses			
Program expenses:			
Salaries including related taxes and benefits	236,724	216,192	20,532
Administration	139,076	137,278	1,798
Committees and special projects	54,804	57,318	(2,514)
Events and programs	32,072	23,049	9,023
Grants and donations	47,666	55,759	(8,093)
Depreciation	3,077	2,649	428
Total expenses	<u>513,419</u>	<u>492,245</u>	<u>21,174</u>

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018**

**Statement of Activities (continued)**

**Table II (continued)  
Summary of Statement of Activities  
Years Ended December 31**

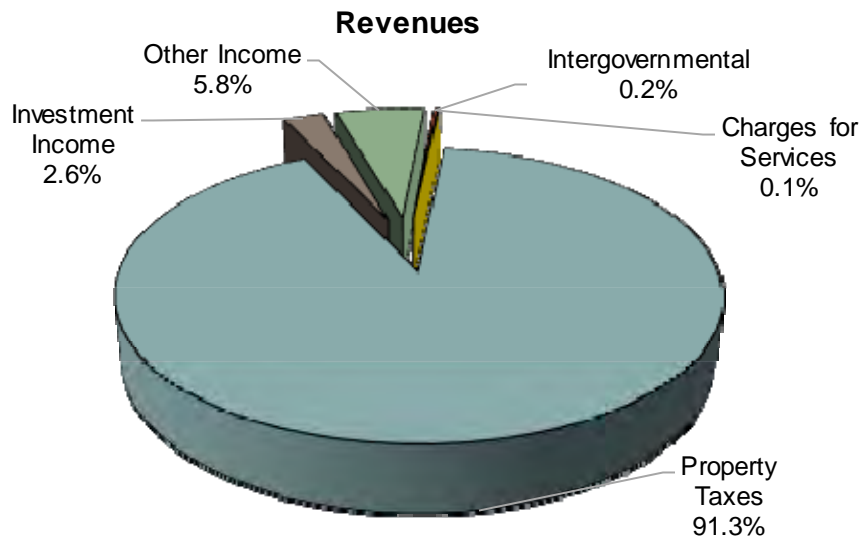
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Excess of revenues over expenses	52,455	73,334	(20,879)
Transfer	<u>103,472</u>	<u>-</u>	<u>103,472</u>
Change in net position	<u>155,927</u>	<u>73,334</u>	<u>82,593</u>
Net position - beginning as originally stated	806,842	733,508	73,334
Prior period adjustment	<u>(153,838)</u>	<u>-</u>	<u>(153,838)</u>
Net position - beginning as restated	<u>653,004</u>	<u>733,508</u>	<u>(80,504)</u>
Net position - ending	<u>\$ 808,931</u>	<u>\$ 806,842</u>	<u>\$ 2,089</u>

The decrease in intergovernmental revenues reflects a one-time grant of \$15,000 in 2017 from the Southwest Initiative Foundation (SWIF) for a Diverse BRE Program that entailed surveying diverse business owners in the Willmar area and producing a report on the results. The increase of \$20,532 in salaries reflects increases in salaries of staff based on performance and the addition of a summer intern at the EDC. The transfer of \$103,472 reflects the transfer of assets from the WAM-BC organization that was dissolved. The EDC assisted the non-profit in the dissolution process and took over the non-profit's microenterprise loan portfolio.

**Financial Analysis of the Organization as a Whole**

The EDC is a special taxing district and is primarily funded through levies with the County. In 2018 the county levy represented 91% of the EDC's revenues, with the remainder split among RLF loan repayment interest, savings interest, event sponsorships, grants and intergovernmental revenue.

The following graph illustrates the major sources of these revenues and related percentages:



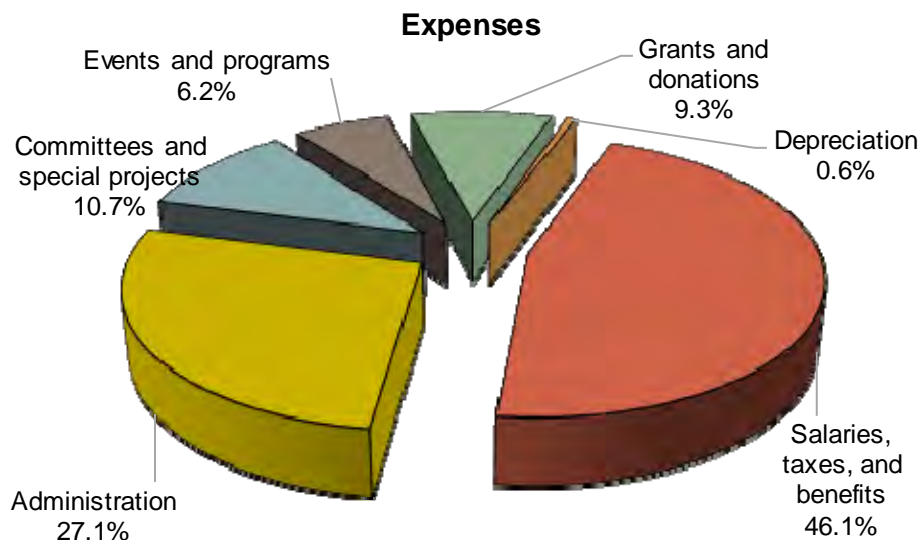


**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018**

**Financial Analysis of the Organization as a Whole (continued)**

For the year ended December 31, 2018, the EDC incurred operating expenses of \$513 thousand. Approximately 46% of the agency's expenses were tied to staff salaries and benefits and 27% were administrative expenditures.

The following graph illustrates the major expense groups and the percent of the total expense each represents for the year ending December 31, 2018:



**General Fund Budgetary Highlights**

General revenues from property taxes for the EDC increased from \$498,765 to \$516,461 or 3.5% over the previous year. Expenses for the organization increased from \$492,245 to \$513,419 or by 4.3% over the previous year. The EDC's Joint Powers Board of Directors revised the 2018 budget in July of 2018 to increase employee compensation line item for hiring a summer intern in the amount of \$3,500 to be funded from reserves.

**Capital Assets**

At the end of 2018, the EDC had \$12,441 (net of accumulated depreciation) invested in various leasehold improvements, furniture, and equipment. Refer to Note 3 of the notes to the financial statements for a schedule showing the EDC's capital asset activity.

**Long-Term Debt**

At the end of 2018, the EDC had \$19,941 in compensated absences and \$144,237 in net pension liability. Refer to Note 3 of the notes to the financial statements for a schedule showing the EDC's long-term debt activity.

**Contacting the EDC's Management**

This financial report is designed to provide the State of Minnesota, city and county officials, taxpayers, and citizens with a general overview of the EDC's finances and to demonstrate the EDC's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Kandiyohi County and City of Willmar Economic Development Commission, 222 20<sup>th</sup> Street SE, P.O. Box 1783, Willmar, MN 56201, 320-235-7370.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**GOVERNMENTAL FUND BALANCE SHEET AND**  
**GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION**  
**WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL**  
**December 31, 2018**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 434,568	\$ -	\$ 434,568
Certificates of deposit	181,041	-	181,041
Receivables			
Delinquent taxes	14,059	-	14,059
Loans, net of allowance	231,192	-	231,192
Prepaid expense	2,056	-	2,056
Rent deposit	3,600	-	3,600
Restricted cash	126,722	-	126,722
Capital assets			
Depreciable - net	-	12,441	12,441
Total Assets	<u>993,238</u>	<u>12,441</u>	<u>1,005,679</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	-	30,584	30,584
Total Deferred Outflows of Resources	<u>-</u>	<u>30,584</u>	<u>30,584</u>
<b>LIABILITIES</b>			
Accounts payable	3,920	-	3,920
Payroll liabilities	3,436	-	3,436
Rent deposit	250	-	250
Long-term liabilities			
Due in more than one year			
Compensated absences	-	19,941	19,941
Net pension liability	-	144,237	144,237
Total Liabilities	<u>7,606</u>	<u>164,178</u>	<u>171,784</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	-	55,548	55,548
Unavailable revenue - taxes	7,597	(7,597)	-
Total Deferred Inflows of Resources	<u>7,597</u>	<u>47,951</u>	<u>55,548</u>
<b>FUND BALANCE</b>			
Fund balance			
Nonspendable	2,056	(2,056)	-
Restricted	287,187	(287,187)	-
Committed	6,949	(6,949)	-
Assigned	25,750	(25,750)	-
Unassigned	656,093	(656,093)	-
Total Fund Balance	<u>978,035</u>	<u>(978,035)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>993,238</u>	<u>(765,906)</u>	<u>227,332</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	12,441	12,441
Restricted	-	287,187	287,187
Unrestricted	-	509,303	509,303
Total Net Position	<u>\$ -</u>	<u>\$ 808,931</u>	<u>\$ 808,931</u>

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

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION  
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
For The Year Ended December 31, 2018**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<b>REVENUES</b>			
Property taxes	\$ 516,661	\$ (200)	\$ 516,461
Charges for services	435	-	435
Intergovernmental	-	1,068	1,068
Interest income	14,870	-	14,870
Miscellaneous	33,040	-	33,040
<b>TOTAL REVENUES</b>	<u>565,006</u>	<u>868</u>	<u>565,874</u>
<b>EXPENDITURES</b>			
Salaries and wages	182,081	8,103	190,184
Payroll taxes and benefits	51,581	(5,041)	46,540
Administrative	139,076	-	139,076
Committees and special projects	54,804	-	54,804
Events and programs	32,072	-	32,072
Grants and donations	47,666	-	47,666
Capital outlay	3,394	(3,394)	-
Depreciation	-	3,077	3,077
<b>TOTAL EXPENDITURES</b>	<u>510,674</u>	<u>2,745</u>	<u>513,419</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	54,332	(1,877)	52,455
<b>TRANSFER</b>	<u>103,472</u>	<u>-</u>	<u>103,472</u>
<b>NET CHANGE IN FUND BALANCE/NET POSITION</b>	<u>157,804</u>	<u>(1,877)</u>	<u>155,927</u>
<b>FUND BALANCE/NET POSITION, Beginning of year, as originally stated</b>	810,748	(3,906)	806,842
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>9,483</u>	<u>(163,321)</u>	<u>(153,838)</u>
<b>FUND BALANCE/NET POSITION, Beginning of year, as restated</b>	<u>820,231</u>	<u>(167,227)</u>	<u>653,004</u>
<b>FUND BALANCE/NET POSITION, End of year</b>	<u>\$ 978,035</u>	<u>\$ (169,104)</u>	<u>\$ 808,931</u>

**ADJUSTMENTS TO CONVERT MODIFIED ACCRUAL TO FULL ACCRUAL BASIS OF ACCOUNTING:**

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their useful lives and reported as depreciation expense.

Capital outlay	\$ 3,394
Depreciation expense	(3,077)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(200)
----------------	-------

In the statement of activities, pension expense is measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

6,109

In the statement of activities, compensated absences are expenditures when earned. In the governmental funds, however, expenditures are recognized when paid.

(8,103)

**Total adjustment between change in fund balance and change in net assets**

\$ (1,877)

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

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGETARY COMPARISON**  
**GENERAL FUND**  
**For The Year Ended December 31, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>REVENUES</b>				
Property taxes	\$ 514,600	\$ 514,600	\$ 516,661	\$ 2,061
Charges for services	1,180	1,180	435	(745)
Intergovernmental	7,500	7,500	-	(7,500)
Interest income	10,560	10,560	14,870	4,310
Miscellaneous	<u>38,700</u>	<u>38,700</u>	<u>33,040</u>	<u>(5,660)</u>
<b>TOTAL REVENUES</b>	<u>572,540</u>	<u>572,540</u>	<u>565,006</u>	<u>(7,534)</u>
<b>EXPENDITURES</b>				
Salaries and wages	192,500	192,500	182,081	(10,419)
Payroll taxes and benefits	51,268	51,268	51,581	313
Administrative	166,970	166,970	139,076	(27,894)
Committees and special projects	93,130	93,130	54,804	(38,326)
Events and programs	30,000	30,000	32,072	2,072
Grants and donations	40,500	40,500	47,666	7,166
Capital outlay	<u>3,394</u>	<u>3,394</u>	<u>3,394</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>577,762</u>	<u>577,762</u>	<u>510,674</u>	<u>(67,088)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,222)</u>	<u>(5,222)</u>	<u>54,332</u>	<u>59,554</u>
<b>TRANSFER</b>	<u>-</u>	<u>-</u>	<u>103,472</u>	<u>103,472</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (5,222)</u>	<u>\$ (5,222)</u>	<u>157,804</u>	<u>\$ 163,026</u>
<b>FUND BALANCE, Beginning of year, as originally stated</b>			810,748	
<b>PRIOR PERIOD ADJUSTMENT</b>			<u>9,483</u>	
<b>FUND BALANCE, Beginning of year, as restated</b>			<u>820,231</u>	
<b>FUND BALANCE, End of year</b>			<u>\$ 978,035</u>	

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

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Kandiyohi County and City of Willmar Economic Development Commission (EDC) was established by resolution on July 1, 2003, by a joint powers agreement between Kandiyohi County and City of Willmar pursuant to Minn. Laws 1989, First Special Session, ch. 1, art. 17. The EDC has all of the powers of an economic development authority under Minn. Stat. § 469.090 to § 469.107.

The Kandiyohi County and City of Willmar Economic Development Commission is governed by a six-member Board. The Kandiyohi County Board of Commissioners appoints three members and the Willmar City Council appoints three members. Each member is appointed to serve three years. The EDC elects a chair, vice-chair, secretary, and a treasurer from its members. These officers serve a one-year term of office. This Joint Powers Board meets on a quarterly basis. The EDC also has an eight member Board of Directors that oversees their operations. Each member serves three year terms. This Joint Operations Board meets on a monthly basis.

Property taxes represent a substantial portion of the EDC's revenue. The EDC is a political subdivision of the State and a special taxing district as defined by Minn. Stat. § 275.066, clause (25), with the power to adopt and certify a property tax levy to the Kandiyohi County Auditor.

The Kandiyohi County and City of Willmar Economic Development Commission is a separate entity independent of the city and the county which formed it. In accordance with generally accepting accounting principles, the EDC's financial statements are not included in either the City of Willmar's or Kandiyohi County's financial statements. Neither Kandiyohi County nor the City of Willmar retain control over the operations, has oversight responsibility, or is financially accountable for the Kandiyohi County and City of Willmar Economic Development Commission.

**B. Basic Financial Statements**

**1. Government-Wide Statements**

The government-wide financial statements (the statement of position and the statement of activities) report information on all of the non-fiduciary activities of the EDC. Governmental activities are normally supported by property tax revenues.

In the government-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis by column; and (b) is 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 EDC's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of each function of the EDC's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) intergovernmental, interest income, and various other sources; and (2) grants and contributions restricted to meeting the 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 EDC's governmental fund. The emphasis of governmental fund financial statements is on the major individual governmental funds, with each displayed in a separate column in the fund financial statements.

**a. Governmental Funds**

The EDC reports the following major governmental fund:

The General Fund is the primary operating fund of the EDC and is classified as a major fund. It is used to account for all activities.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Shared revenues are generally recognized in the period the appropriation goes into effect. 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. EDC considers all revenues as available if collected within 60 days after the end of the current period. Shared revenues, interest, and miscellaneous are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred.

**D. Assets, Liabilities, and Net Position/Fund Balances**

**1. Cash and Cash Equivalents**

The EDC has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less.

**2. Receivables**

Property taxes are levied by the Board of Directors in October each year and are certified to Kandiyohi County for collection in the following year. The County collects the taxes and periodically remits them to the EDC. The majority of these remittances are made in June and November.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from delinquent property taxes not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operation of the EDC in the current year.

The EDC has loans receivable consisting of various loans. A provision for uncollectible accounts is made as necessary.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods.

**4. Capital Assets**

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the EDC as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Computers, furniture, and equipment	5 - 7
Leasehold improvements	10

**KANDIY OHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, and Net Position/Fund Balances (continued)**

**5. Compensated Absences**

The EDC allows certain full time employees to accumulate and carryover vacation and sick leave into the next year. The policy establishes rates of pay and limits amounts allowed for carryover. The full time employees can accrue from eleven to twenty days of vacation time per year depending on years of employment, and can accrue up to twelve days of sick time per year. Full time employees may carry over up to a maximum of 160 hours of vacation time annually and a maximum of 192 hours of sick time annually.

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and fund financial statements will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The EDC has one item that qualifies for reporting in this category – a deferred outflow relating to pension activity, reported in government activities – statement of net position. A deferred outflow relating to pension activity results from the net effect of the change in proportionate share and employer contributions.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The EDC has one item that qualifies for reporting in this category under full accrual basis of accounting. Accordingly, the item, deferred inflow is reported in the governmental activities – statement of net position. A deferred inflow relating to pension activity is a result of the net difference between projected and actual earnings on plan investments. The EDC also has one item that qualifies for reporting in this category under modified accrual basis of accounting. Accordingly, the item, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**7. Pensions**

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

**8. Net Position/Fund Balances**

The government-wide fund financial statements use a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

*Net investment in capital assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

*Restricted net position* – laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* – This category represents net position of the EDC, not restricted for any project or other purpose.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, and Net Position/Fund Balances (continued)**

**8. Net Position/Fund Balances (continued)**

In the governmental fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the EDC is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows.

*Nonspendable* – consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, prepaid items.

*Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* – consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the EDC's Board. Those committed amounts cannot be used for any other purpose unless the Board of Directors remove or change the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Board.

*Assigned* – consists of amounts intended to be used by the EDC's Board for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

*Unassigned* – is the residual classification for the General Fund.

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

At December 31, 2018, a summary of the governmental fund balance classifications are as follows:

<b>Fund Balances</b>	<u>General Fund</u>
Nonspendable	
Prepays	\$ 2,056
Restricted	
Tourism development	13,641
KCEO program	3,732
Revolving loan fund	269,814
Committed	
Entrepreneur's loan fund guarantees	6,949
Assigned	
Loan receivable - HRA of Willmar	25,750
Unassigned	<u>656,093</u>
Total Fund Balances	<u>\$ 978,035</u>

**9. Use of Estimates**

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



**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgets**

The EDC is required to annually send its budget to the Kandiyohi County Board of Commissioners and City of Willmar Council for review and approval.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

**a. Deposits**

Minn. Stat. § 118A.02 and § 118A.04 authorize the EDC to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all EDC deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank, 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 EDC's deposits may not be returned to it. The EDC will obtain collateral or bonds for all uninsured amounts on deposit and the additional insurance will be documented to show compliance with state law and a perfected security interest under federal law. At December 31, 2018, the EDC deposits were covered by federal depository insurance limit of \$250,000 or collateral held in safekeeping.

**b. Investments**

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (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.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)**

**A. Assets (continued)**

**1. Deposits and Investments (continued)**

**b. Investments (continued)**

**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 EDC does not have a formal investment policy that addresses interest rate risk.

**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. The EDC does not have a formal investment policy that addresses credit risk.

**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 EDC does not have a formal investment policy that addresses custodial credit risk.

**Concentration of Credit Risk**

As of and during the year ended December 31, 2018, the EDC did not own any investments that required disclosure regarding interest rate risk, credit risk, or concentration of credit risk.

**2. Receivables**

Receivables as of December 31, 2018, for the EDC's governmental activities are as follows:

	Total Receivables	Not Expected to be Collected Within One Year
Governmental Activities		
Delinquent taxes	\$ 14,059	\$ 7,597
Loans receivable, net of allowance	<u>231,192</u>	<u>183,050</u>
Total Governmental Activities	<u>\$ 245,251</u>	<u>\$ 190,647</u>

Taxes receivable consist of uncollected taxes, which are classified as delinquent taxes receivable. On the EDC's governmental fund balance sheet, delinquent taxes receivable are offset by unearned revenue to indicate they are not available for spending in the current period. No provision has been made for estimated uncollectible amounts because such amounts are not expected to be material.

Loans receivable consist of the following:

HRA of Willmar – This loan receivable is a term note dated June 1, 1998. The note has no stated interest rate, is unsecured, non-guaranteed, and is due in full on June 1, 2028. At December 31, 2018, the balance of this loan was \$25,750.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)**

**A. Assets (continued)**

**2. Receivables (continued)**

Revolving Loan Funds – Consists of various term notes dated December 2011 through November 2017, requiring 60 monthly payments of \$475 to \$950 including interest at 5.25% to 6.25%. Matures December 2018 through November 2022. At December 31, 2018, the balance of these loans totaled \$160,465.

KCEO Student Loans – Consists of loans to student entrepreneurs in amounts of \$250 to \$600 for small business development payable within one year, non-interest bearing. At December 31, 2018, the balance of these loans totaled \$15,711. A provision has been made for estimated uncollectible amounts in the amount of \$15,711.

Willmar Area Multicultural Business Center (WAMBC) – Consists of various term notes requiring monthly payments of \$150 to \$500 including interest at 0.00% to 3.00%. Matures December 2018 through September 2023. At December 31, 2018, the balance of these loans totaled \$44,977.

**3. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets being depreciated:				
Equipment	\$ 41,740	\$ 3,394	\$ -	\$ 45,134
Total capital assets being depreciated	41,740	3,394	-	45,134
Less accumulated depreciation for:				
Equipment	29,616	3,077	-	32,693
Total accumulated depreciation	29,616	3,077	-	32,693
Total capital assets being depreciated, net	12,124	317	-	12,441
Governmental activities capital assets, net	\$ 12,124	\$ 317	\$ -	\$ 12,441

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

<b>Governmental activities</b>	
Economic development	\$ 3,077

**B. Liabilities**

**1. Line of Credit**

The EDC secured a \$25,000 revolving line of credit with Heritage Bank in October 2017. The line of credit matures in October 2019. The line of credit is unsecured. At December 31, 2018, the balance of the line of credit was \$0.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**2. Long-Term Debt**

Changes in long-term liabilities

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

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 11,838	\$ 18,693	\$ 10,590	\$ 19,941	\$ -
Net Pension Liability	<u>159,598</u>	<u>19,635</u>	<u>34,996</u>	<u>144,237</u>	<u>-</u>
Total Governmental Activities	<u>\$ 171,436</u>	<u>\$ 38,328</u>	<u>\$ 45,586</u>	<u>\$ 164,178</u>	<u>\$ -</u>

**NOTE 4 DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

The EDC participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

**1. General Employees Retirement Plan**

All full-time and certain part-time employees of the EDC are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**B. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefits provision are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

**1. General Employees Plan Benefits**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Plan benefit recipients receive a future annual 1.0% increase. If the General Employees Plan is at least 90% funded for two consecutive years, benefit increase will revert to 2.5%. If, after reverting to a 2.5% benefit increase, the funding ratio declines to less than 80% of one year or less than 85% for two consecutive years, the benefit increase will decrease to 1.0%. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)**

**C. Contributions**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

**1. General Employees Fund Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2018 and the EDC was required to contribute 7.50% for Coordinated Plan members. The EDC's contributions to the General Employees Fund for the year ended December 31, 2018, was \$13,500. The EDC's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

**1. General Employees Fund Pension Cost**

At December 31, 2018, the EDC reported a liability of \$144,237 for its proportionate share of the General Employees Fund's net pension liability. The EDC's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the EDC's totaled \$4,581. 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 EDC's proportion of the net pension liability was based on the EDC'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 EDC's proportion share was .0026% which was an increase of .0001% from its proportion measured as of June 30, 2017.

The EDC's proportionate share of the net pension liability	\$ 144,237
State of Minnesota's proportionate share of the net pension liability associated with the EDC	<u>4,581</u>
Total	<u>\$ 148,818</u>

For the year ended December 31, 2018, the EDC recognized pension expense of \$8,365 for its proportionate share of the General Employees Plan's pension expense. In addition, the EDC recognized an additional \$1,068 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, the EDC 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	\$ 3,678	\$ 4,693
Changes in actuarial assumptions	15,368	15,780
Net collective difference between projected and actual investment earnings	-	11,062
Changes in proportion	4,788	24,013
Contributions paid to PERA subsequent to the measurement date	<u>6,750</u>	<u>-</u>
Total	<u>\$ 30,584</u>	<u>\$ 55,548</u>

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)**

**D. Pension Costs (continued)**

**1. General Employees Fund Pension Cost (continued)**

Deferred outflows of resources related to pensions, resulting from EDC contributions subsequent to the measurement date of \$6,750, 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2019	\$ (5,836)
2020	\$ (13,031)
2021	\$ (9,837)
2022	\$ (3,010)

**E. Actuarial Assumptions**

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

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2018 valuation was based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

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

General Employees Fund:

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)**

**E. Actuarial Assumptions (continued)**

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions .

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%
	<u>100%</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on this assumption, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)**

**G. Pension Liability Sensitivity**

The following presents the EDC's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the EDC's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

<b>Sensitivity Analysis</b>			
<i>Net Pension Liability at Different Discount Rates</i>			
General Employees Fund			
1% Lower	6.50%	\$	234,404
Current Discount Rate	7.50%	\$	144,237
1% Higher	8.50%	\$	69,807

**H. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**NOTE 5 RISK MANAGEMENT**

The EDC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the EDC carries insurance. The EDC obtains insurance through participation in the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a risk sharing pool operated as a common risk management and insurance program for its members. The EDC pays an annual premium to MCIT for its workers compensation and property and casualty insurance. The MCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event.

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

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

The Kandiyohi County and City of Willmar Economic Development Commission has entered into various loan agreements in relation to its Partial Loan Guarantee Program. Under the terms of the agreement, the EDC has guaranteed 80% of these \$25,000 (\$50,000 for 2013 and following years) loans to private businesses. Total outstanding loan balances under this loan program are \$13,897 at December 31, 2018 with the EDC Board committing to reserve 50% of the guarantee amount, or \$6,949. As of December 31, 2018, the EDC has not received any notice of default under the loan guarantee program.

**NOTE 7 OPERATING LEASE**

Effective December 2014, the EDC entered into a lease agreement for the office facility. Terms of the lease include monthly rent of \$1,800 for five years. Included in this lease are real estate taxes, building insurance, maintenance, and utilities. The lease is renewable for an additional 36 months. The future minimum lease payments are as follows:

Year Ending December 31:	Amount
2019	\$ 19,800



**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 8 TRANSFER**

Under an agreement between the Kandiyohi County and City of Willmar Economic Development Commission (EDC) and the Willmar Area Multicultural Business Center (WAMBC), WAMBC agreed to transfer their program operations over to the EDC. On November 2, 2018 WAMBC officially dissolved and transferred all assets, liabilities, and net position over to the EDC. As a result of the transfer, the EDC recognized the following assets, liabilities, and net position:

<u>Description</u>	<u>Amount</u>
Assets	
Cash	\$ 50,989
Loans receivable	50,336
Capital assets	<u>2,147</u>
Total Assets	<u>\$ 103,472</u>
Net Positon	
Unrestricted	<u>\$ 103,472</u>
Total Net Position	<u>\$ 103,472</u>

**NOTE 9 PRIOR PERIOD ADJUSTMENT**

At December 31, 2018, the EDC adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This implementation allows the EDC to report its proportionate share of collective net pension liability, deferred inflows of resources and deferred outflows of resources, and pension expense and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees less the pension plans fiduciary net pension on the financial statements. As a result, the beginning balance of the Governmental Activities net pension was decreased by \$175,310.

A prior period adjustment was required between the EDC's General Fund and Governmental Activities to remove the unavailable revenue from Governmental Activities and include the unavailable revenue in the General Fund since revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. As a result, the beginning balance of the General Fund's fund balance was decreased by \$7,797 and the beginning balance of the Governmental Activities as increased by \$7,797.

Beginning balance of the Governmental Activities was increased by \$8,233 to correct the unavailable revenue beginning balance.

A prior period adjustment was required in the EDC's General Fund to remove the compensated absences from the General Fund since, in the statement of activities, compensated absences are expenditures when earned and, in the governmental funds, expenditures are recognized when paid. As a result, the beginning balance of the General Fund's fund balance was increased by \$17,280.

Beginning balance of the Governmental Activities was increased by \$5,442 to correct the compensated absences beginning balance.

**NOTE 10 SUBSEQUENT EVENTS**

The EDC has evaluated subsequent events through December 18, 2019, the date the financial statements were available to be issued.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
GENERAL EMPLOYEES RETIREMENT FUND**

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with EDC (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With EDC (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2018	0.0026%	\$ 144,237	\$ 4,581	\$ 148,818	\$ 171,400	86.8%	79.5%

Note: GASB Statement 68, Accounting and Financial Reporting for Pensions was adopted in 2018.

Note: Schedules are intended to show a 10 year trend. Additional years will be reported as they become available.

See notes to required supplementary information.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
GENERAL EMPLOYEES RETIREMENT FUND**

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered- Employee Payroll (c)</u>	<u>Contributions as a Percentage of Covered- Employee Payroll (b/c)</u>
December 31, 2018	\$ 13,500	\$ 13,500	\$ -	\$ 180,000	7.50%

Note: GASB Statement 68, Accounting and Financial Reporting for Pensions was adopted in 2018.

Note: Schedules are intended to show a 10 year trend. Additional years will be reported as they become available.

See notes to required supplementary information.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2018**

**NOTE 1 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS**

**General Employees Fund**

*2018 Changes*

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions .



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

Board of Directors  
Kandiyohi County and City of Willmar Economic Development Commission

We have audited, in accordance with the 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 and each major fund of the Kandiyohi County and City of Willmar Economic Development Commission as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Kandiyohi County and City of Willmar Economic Development Commission's basic financial statements, and have issued our report thereon dated December 18, 2019.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and recommendations, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and correct on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2018-003 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2018-001- and 2018-002 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the EDC'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 Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the Kandiyohi County and City of Willmar Economic Development Commission failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. 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 Kandiyohi County and City of Willmar Economic Development Commission's noncompliance with the above referenced provisions.

### **Kandiyohi County and City of Willmar Economic Development Commission's Response to Findings**

The Kandiyohi County and City of Willmar Economic Development Commission's response to the internal control and compliance findings identified in our audit is described in the accompanying schedule of findings and recommendations. The Kandiyohi County and City of Willmar Economic Development Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Kandiyohi County and City of Willmar Economic Development Commission's internal control over financial reporting or on compliance. Accordingly, this communication is not suitable for any other purpose.

Westberg Eischens, PLLP

Westberg Eischens, PLLP  
Willmar, Minnesota

December 18, 2019

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**Year Ended December 31, 2018**

**SECTION I: FINANCIAL STATEMENT FINDINGS**

**Finding 2018-001**

**Criteria:**

Management is responsible for establishing and maintaining internal controls over the preparation of the financial statements and related disclosures in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Condition:**

Management relies upon the auditor to prepare the financial statements and related disclosures in accordance with GAAP.

**Context:**

The EDC has informed us that the small size of its staff precludes the EDC from preparing their own financial statements.

**Effect:**

There is an increased risk that the EDC's management may not prevent or detect misstatements to the financial statements.

**Cause:**

The limited size of the EDC's staff and the related resources available precludes the EDC's management from preparing the financial statements.

**Recommendation:**

We recommend that the EDC's management establish procedures to review and approve the auditor prepared financial statements.

**Current Status:**

Unresolved.

**CORRECTIVE ACTION PLAN (CAP)**

**Finding 2018-001**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The EDC's management will establish procedures to review and approve the auditor prepared financial statements and accept responsibility for them.

**Officer Responsible for Ensuring CAP:**

Not Applicable

**Planned Completion Date:**

Not Applicable

**Plan to Monitor Completion of CAP:**

Not Applicable

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**Year Ended December 31, 2018**

**SECTION I: FINANCIAL STATEMENT FINDINGS (continued)**

**Finding 2018-002**

**Criteria:**

Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

**Condition:**

Due to the limited size of the EDC's staff, the EDC has limited segregation of duties.

**Context:**

The EDC has informed us that the small size of its staff precludes proper separation of duties at this time.

**Effect:**

The lack of segregation of duties increases the risk of misappropriation of assets.

**Cause:**

Limited number of staff in the office.

**Recommendation:**

We recommend that the EDC continue to separate incompatible duties as best it can within the limits of what the EDC considers to be cost beneficial.

**Current Status:**

Unresolved.

**CORRECTIVE ACTION PLAN (CAP)**

**Finding 2018-002**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The EDC reviews and makes improvements to its internal controls on an ongoing basis, and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

**Officer Responsible for Ensuring CAP:**

Not Applicable

**Planned Completion Date:**

Not Applicable

**Plan to Monitor Completion of CAP:**

Not Applicable



**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
Year Ended December 31, 2018**

**SECTION I: FINANCIAL STATEMENT FINDINGS (continued)**

**Finding 2018-003**

**Criteria:**

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

**Condition:**

During our audit we proposed adjustments that resulted in significant changes to the EDC's financial statements.

**Context:**

The EDC's limited size of office personal has precluded the EDC from properly identifying and correcting the financial statements.

**Effect:**

The EDC's inability to detect material misstatements in the financial statements increases the likelihood that the financial statements may not be fairly presented.

**Cause:**

Inadequate internal controls and monitoring of internal control by the EDC's staff.

**Recommendation:**

We recommend that the EDC's management review internal controls currently in place, then design and implement procedures to improve internal controls over financial reporting to detect misstatements in the financial statements.

**Current Status:**

Unresolved.

**CORRECTIVE ACTION PLAN (CAP)**

**Finding 2018-003**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The EDC will continue to review internal controls and work to design modifications that will increase internal control and the ability to detect material misstatements.

**Officer Responsible for Ensuring CAP:**

Not Applicable

**Planned Completion Date:**

Not Applicable

**Plan to Monitor Completion of CAP:**

Not Applicable

# **EsseX Capital, LLC**

(651) 204-2986      1301 American Blvd East  
(612) 281-4648 Cell      Suite 230  
Justin@Essexllc.net      Bloomington, MN 55425

**AGREEMENT FOR PROFESSIONAL SERVICES**  
**Between**  
**MINN WEST TECHNOLOGY CAMPUS &**  
**KANDIYOHI COUNTY & WILLMAR ECONOMIC DEVELOPMENT**  
**COMMISSION**  
**and**  
**ESSEX CAPITAL, LLC**

This Agreement, made this 28<sup>th</sup> day of October, 2019, by and between the Minn West Technology Campus and Kandiyohi County & Willmar Economic Development Commission (hereinafter referred to as "member") and Essex Capital, LLC (hereinafter referred to as "ESSEX"), is an agreement for membership in the Community Venture Network (hereinafter referred to as "CVN").

## **SECTION I**

### **Professional Services**

ESSEX shall provide the following services to the member:

A) ESSEX shall professionally manage the CVN.

- 1) Provide support staff services and materials at regularly scheduled meetings of the CVN.
- 2) Notify members of dates of meetings, prepare agendas and necessary materials, and conduct all activities relative to the meetings and functions of the CVN.

B) ESSEX shall conduct an active outreach program.

- 1) Emphasize the availability of member's economic development resources to the business community.
- 2) Maintain continuous contact with accountants, attorneys, venture capitalists, business brokers, and the private banking community to generate referrals.
- 3) Initiate and maintain a business prospecting program.

C) ESSEX shall recruit prospects/presenters for CVN presentations.

1) CVN will identify business prospects in one of the following categories:

- a) "Development stage" companies with existing product lines and seeking expansion capital.
- b) Business acquisitions. New business owners seeking additional equity or expansion capital.
- c) Expansions and/or relocations of existing businesses.
- d) Businesses who will provide high quality jobs
- e) Present a minimum of twenty-four (24) business prospects at regularly scheduled meetings throughout the year.

D) ESSEX shall conduct preliminary review and screening of CVN prospects.

- 1) Assess financial and support service needs of prospects.
- 2) Prepare uniform summaries of applicants that address prospects' needs.
- 3) Schedule follow-up meetings with member community to arrange for contacts with prospects.

## **SECTION II**

### **Payment for Services**

- A) Members/client shall pay, upon execution of this contract, an annual fee of \$4,250.00.
- B) ESSEX shall notify members/client at least 60 days in advance of the end of any program service year of any changes in annual fees and/or significant program characteristics.

### **SECTION III**

#### **Terms of Contract**

This is an annual agreement with the service year beginning November 1<sup>st</sup>, 2019 – October 31<sup>st</sup>, 2020.

### **SECTION IV**

This agreement may be amended by mutual written consent of both parties hereto duly exercised and signed by both.

### **SECTION V**

Each party to this agreement binds themselves and their partners, successors, executors, administrators, and assigns to the other party of this agreement and to the partners, successors, executors, administrators, and assigns of such other party, in respect to all covenants of this agreement. Nothing herein shall be construed as giving any rights or benefits hereunder to anyone other than the parties to this agreement. ESSEX reserves the right to assign their interest in this contract to a related entity, so long as the performance and terms of the program remain as outlined herein.

In witness whereof, the parties have executed this agreement on the October 28<sup>th</sup>, 2019.

**Essex Capital, LLC**



By \_\_\_\_\_  
Justin D. Erickson, Principal

**MinnWest Technology Campus  
Kandiyohi County & Willmar  
EDC**

By \_\_\_\_\_

Its \_\_\_\_\_

Attest \_\_\_\_\_

# EsseX Capital, LLC

(651) 204-2986  
(612) 281-4648 Cell  
Justin@Essexllc.net

1301 American Blvd East  
Suite 230  
Bloomington, MN 55425

## INVOICE

October 28<sup>th</sup>, 2019

Mr. Aaron Backman  
Kandiyohi County & Willmar  
Economic Development Commission  
333 Litchfield Avenue SW  
Suite 100  
Willmar, MN 56201

### Description

### Amount

Community Venture Network Membership November 1 <sup>st</sup> , 2019 – October 31 <sup>st</sup> , 2020	\$2,125
---	---------

### Total

\$2,125

*Please make check payable to: Essex Capital, LLC*

***Please make note of our new address!***

*Questions: Justin @ (612) 281-4648 or [Justin@essexllc.net](mailto:Justin@essexllc.net)*



## Community Focus Grants

### Kandiyohi County & City of Willmar EDC Report December 31, 2019

## END PROJECT REPORT

Please submit at least three photographs with signed release forms from your project with this report for use by United Way of West Central Minnesota.

#### **Return completed report to:**

United Way of West Central Minnesota, PO Box 895, Willmar, MN 56201 or [james@liveunitedwcm.org](mailto:james@liveunitedwcm.org)

#### **Project Title: Rural Retail Revitalization – Kandiyohi County**

##### 1. Number of people involved in the planning of this project:

The EDC engaged a variety of partners to create a Retail Business Design Workshop series that included five merchandising workshops and five coaching sessions for small retailers in the greater Kandiyohi County area. Ultimately, there were ten partners in this effort—the U of MN Extension, U of MN College of Design, EDC, Willmar Main Street, Spicer Economic Development, City of New London, Willmar Area Community Foundation, United Way of West Central MN, Ridgewater College and the Willmar Lakes Area Chamber of Commerce.

##### 2. Number of people who attended/benefited from this project:

A total of 22 participants representing 17 small retail businesses from the region participated in the workshop/coaching sessions over 10 weeks from February to April of 2019. Half the attendees were small retailers from Willmar. Other communities represented were Atwater (2 people), Belgrade, Morton, New London (3), Sauk Centre and Spicer (3).

In terms of demographic information, 17 of the participants or 77% were women. Three diverse businesses (18%) participated, including 1 Latino and 2 Somali businesses. It is notable that 13 out of the 17 businesses or 76% were women-owned businesses. Types of businesses included: 4 boutiques, 2 clothing stores, 2 consignment stores, 2 ethnic grocery stores, 1 ethnic restaurant, 1 salon, 1 gun & ammo, 1 thrift store, 1 entertainment, 1 gift shop, and 1 flower farm business.

During the workshop series and following an application process, four of the business participants were matched with Jackie Parr, a University of Minnesota (U of M) College of Design doctoral student for additional one-on-one technical assistance (TA). (Fully 10 out of the 17 participating businesses submitted TA applications.) Ms. Parr prepared a Business Brief that laid out findings (including marketing target market strategy, recommendations (including inventory



## Community Focus Grants

recommendations, action plans, merchandising strategies) and other elements. The Beauty Box Business Brief is attached as a sample of the analysis that was done.

The idea was to implement methods and techniques through the TA that will have a direct impact on those retail businesses. The four businesses selected for the additional TA were Beauty Box Boutique in Willmar, Patina Marquet in Willmar, River Valley Arms & Ammo in Morton, and Rustic Designs Flower Farm in rural New London. The planning team members approved small grants (\$1,650 or less for each business) to implement recommended action plans to increase the likelihood of success in increasing sales. Beauty Box built a decorative wall and undertook targeted Facebook advertising. Patina Marquet acquired a new Point of Sale (POS) system allowing them to better track inventory and vendors. River Valley Arms utilized influencer marketing, a type of advertising that uses category leaders or celebrities to communicate brand messages to tens of thousands of their followers. Rustic Designs Flower Farm had beautiful professional photography and drone video undertaken.

With residual funds from the program, two additional participating businesses received small grants—Amin Grocery in Willmar and Camille's Closet in New London. The former was able to add shelving and move the cash register area to a better location; the latter was able to acquire a POS system for the business.

### 3. Describe the project.

The workshops ran from 8:00 to 9:30 a.m. During February 2019 the workshops and sessions were held at the Bremer Bank Community Room. During March, the events occurred at the Willmar Public Library. The Social Media Marketing workshop was held in conjunction with the Social Media Breakfast at WORKUP on the MinnWest Technology Campus (MWTC). The cost of this 10-week intensive program was \$250 for each participant. Scholarships were available on an as-needed basis (all participants qualified for some level of assistance). A total of \$3,125 in scholarships were provided to the workshop participants (United Way of WCM/Willmar Community Foundation \$3,000 grant was used for the scholarships and meeting refreshments.) In particular, we wanted to assist women-owned businesses and minority retail owners and managers to ensure their participation.

On alternating weeks there were coaching sessions for participants to implement and assist one another in applying the information from the workshops (the last session occurred on April 10<sup>th</sup>). Experienced and dynamic presenters at the workshops included Peggy Lord, a former Vice President of Merchandising for Target; Jaye Thompson, previously with Target and Proctor & Gamble; Cheryl Olson, a Director with Bluestem Brands (also known as Fingerhut) and consultant for Best Buy, Target and Marshall Fields; and Jenna Paulus, Public Relations Manager of Deluxe Corp. These sessions were facilitated by U of M College of Design and Extension staff. A significant benefit of the workshops were the small group discussions that occurred amongst participants and an opportunity to interact with experts in senior level retailing.



## Community Focus Grants

The total cost for undertaking the Retail Business Design Workshops – Kandiyohi County was approximately \$13,943 (See attached income and expense sheets). It should be noted this cost excludes the time of UM School of Design faculty, Hye-Young Kim and Hyunjoo Im, who played a key role in the success of the workshops; the reimbursement of Jackie Parr's time, who met with individual businesses and provided insightful TA analysis to the businesses; it excludes the time that Neil Linscheid and Kathy Schwantes from UM Extension on developing the program and coming up with state financial support; and the efforts of Sarah Swedburg to promote and record the sessions; and the efforts of the EDC to market the program, etc. If one includes those activities the total costs would likely exceed \$25,000.

4. Did you accomplish what you set out to accomplish? Do you consider this project a success?

Most definitely yes—we had a well-attended workshop series with a good cross-section of types of retail businesses (and despite several snowstorms!). The presenters that the UM School of Design arranged for were awesome. When we surveyed participants afterwards, most participants ranked the presenters as very qualified and interesting (typically two-thirds or better of the participants gave the sessions the highest rankings). The retail participants were pleased with the sessions and were all interested in follow-up meetings and activities.

5. What would you have done differently?

We could have promoted the taped sessions better for those who missed the sessions. We can still use those video-taped sessions in the future.

6. What changes happened as a result of this project?

The success of the Retail Business Design Workshop program continues to be evident in the messages received from the participating businesses. As a result of the workshop series, three of the participating businesses (Amin Grocery, Camille's Closet, and Patina Marquet) have now acquired computerized POS systems—before they were recording transactions by hand—and have become much more efficient in their operations as a result. Since the workshops were held three of the participating businesses have been featured in the West Central Tribune. Rustic Designs Flower Farm (6/10/19, Live it! Magazine), Patina Marquet (9/25/19), Beauty Box Boutique (12/11/19 and also was featured on WCCO in December). A number of the businesses have increased their customer bases and revenues significantly, though it probably would be beneficial to survey them again later in 2020.

7. Did this project provide parent education? If so what?





## Community Focus Grants

Not applicable. All of the participants were over 21 years of age and no children were at the workshops.

8. How do you intend to continue this project, or similar projects, in the future?

The retail participants were pleased with the sessions. So much so that they have continued meeting at member businesses on a bi-monthly basis to highlight what the host business has implemented from the workshops and for other participant updates and for group discussions on various topics. On June 5<sup>th</sup> the first workshop reunion was held at WORKUP, a co-working space on the MWTC Campus in tandem with a Social Media Breakfast. On August 7<sup>th</sup>, a reunion was held at Patina Marquet, a re-purposed home furnishings business in the Kandi Mall.

On October 2<sup>nd</sup> the third reunion was held at Camille's Closet, a women's quality consignment store in New London. December 4, 2019 the fourth follow-up meeting of the Retail Business Design Workshop participants was held at the Beauty Box, a women's clothing boutique and skin care store that recently re-located in Willmar. Typically, 9 to 12 people have attended these follow-up sessions. The group is now starting to pick up small retailers that were not part of the workshop series, and its mailing list has been expanded from two dozen to over 50 businesses. In fact, the next follow-up meeting on February 5, 2020 will be at Gossman Pottery in New London. They are not an original workshop participant, but are interested nonetheless.

Because of the positive impacts of the program, the U of M Extension has been actively considering replicating this retail business design workshop series in other communities. It is also anticipated that Extension and other partners may develop and distribute a local economic development best practices guide for retail revitalization efforts to be replicated elsewhere.

9. How did you give recognition to United Way of West Central Minnesota for funding your project?

All flyers, social media and other marketing materials listed all the project partners, including the logos of the Willmar Area Community Foundation and the United Way of West Central Minnesota. When the EDC and others discussed the workshop series on radio, they referenced both partners.

10. Name and Number of Contact Person.

Aaron Backman, Executive Director, EDC at 320-894-5284; and  
Connie Schmoll, Business Development Manager, EDC at 320-522-1805.

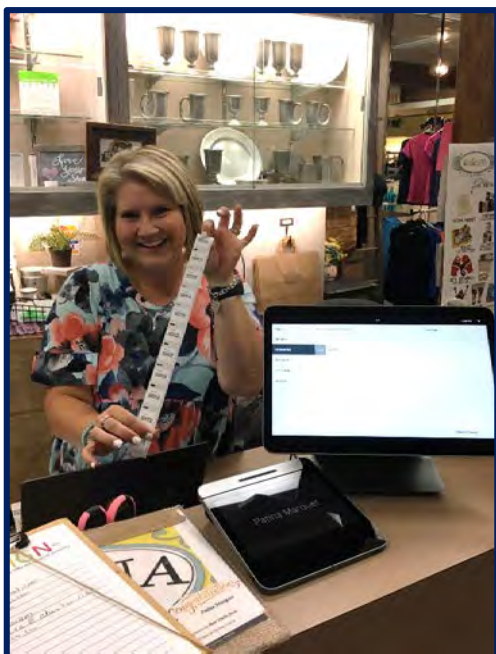


## Community Focus Grants

Session 2: Target Marketing by Jaye Thompson (Former Target Mgmt & Lecturer Professor within the College of Design's Retail Merchandising Program at the University of Minnesota)



Tanya Smith demonstrating the new POS System at Patina Marquet





## Community Focus Grants

Abdiweli Yusuf, Owner of Amin Grocery and one of the Workshop participants working at his new cash register location and with his new POS



Workshop Reunion on 10/2/19 at Camille's Closet







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## Ready for a Career in Manufacturing?

### Free to Attend! Register Today!

#### COURSE DATES

February 10, 11, 12, 14,  
17, 18, 19, 21, 2020  
10:00 am–3:00 pm

#### LOCATION

Ridgewater College  
2101 15th Ave. NW  
Willmar, MN 56201

#### To register, contact:

Vanessa Gerhardson, Eric Day,  
or Delina Woltjer



### Women-on-the-Move Training Opportunity

If you want to earn good wages in an exciting, rewarding, and modern manufacturing industry where women have proven to be successful, then this is the program for you!

- Instruction on the basics of manufacturing concepts/skills and workplace safety
- Forklift training and certification  
(Monday, February 17, 2020, 10:00 am–4:00 pm)
- Meet with industry employers

#### Basic Eligibility Requirements

Women of color (ages 16+)  
Low-income women (ages 18+)  
Women over age 50

### Preparing Women for Careers in Manufacturing

This training opportunity is brought to you by CMJTS with funding from the Minnesota Department of Employment and Economic Development.

#### For more information, contact:

**Vanessa Gerhardson**  
CareerForce Willmar  
[vgerhardson@cmjts.org](mailto:vgerhardson@cmjts.org)  
320.249.7650

**Eric Day**  
CareerForce Litchfield  
[eday@cmjts.org](mailto:eday@cmjts.org)  
320-241-1747

**Delina Woltjer**  
CareerForce Willmar  
[dwoltjer@cmjts.org](mailto:dwoltjer@cmjts.org)  
320.292.4798





Kandiyohi County & City of Willmar  
ECONOMIC DEVELOPMENT COMMISSION

# OPPORTUNITY ZONE PROSPECTUS

Prepared by the Kandiyohi County and City of Willmar Economic Development Commission



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## INCREASE

Willmar's population is up 9% since 2000.



## INNOVATIVE

regional investments in the fields of animal vaccine, metal fabrication, food processing, and value-added agriculture.



## MINNWEST TECHNOLOGY CAMPUS

business community currently accommodating over 30 agribusiness, bioscience and other innovative companies who are global leaders.



## GROWTH

Kandiyohi County's labor force has risen by 5.4% from 2010 to 2018.



## INCLUSION STRATEGIES

by community leaders maintain a goal of equitable and diverse growth for all segments of the community.





## VIBRANT

arts community and rich cultural diversity featuring distinctive events and over 80 ethnic businesses.



## SIGNIFICANTLY

lower cost of living than other areas of Minnesota with annual property taxes between \$800-\$1,499.



## WIDESPREAD

access to 200Mbps download speeds gives innovative companies the needed bandwidth to succeed.



## COMMUNITY-BUILT

19,000 square foot, fully-accessible Destination Playground is one of the many recreational opportunities for families.



## AMBITIOUS

economic development leaders collaborating with community leaders to offer the best possible opportunity zone investments.

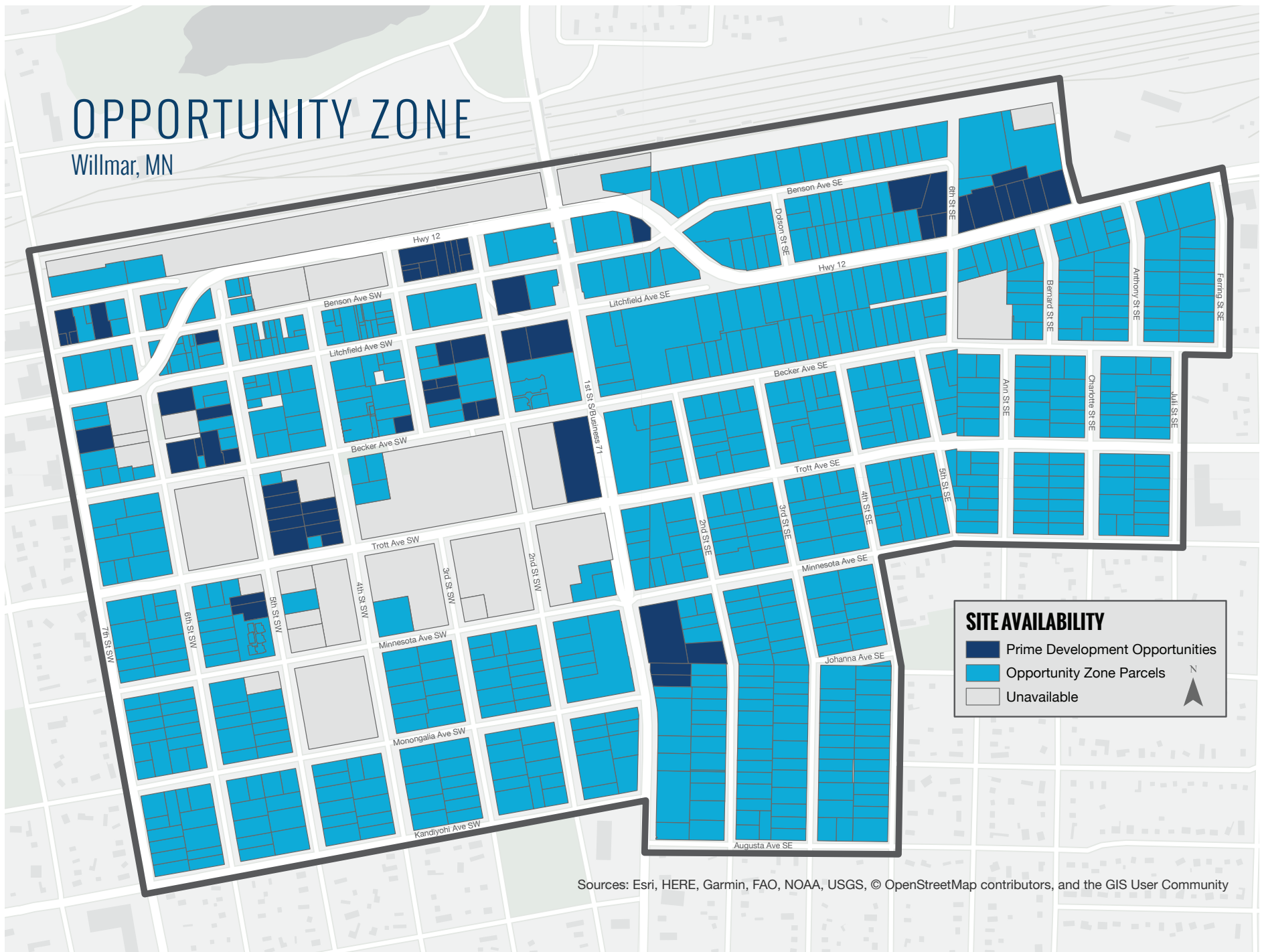


*"The way this community [Willmar] has embraced its growing workforce, its immigrant workforce, and is navigating those challenges is really a model for the rest of the state."*

**Steve Grove, DEED Commissioner  
& former Google Executive**

# OPPORTUNITY ZONE

Willmar, MN



Sources: Esri, HERE, Garmin, FAO, NOAA, USGS, © OpenStreetMap contributors, and the GIS User Community



# LOCATION OVERVIEW

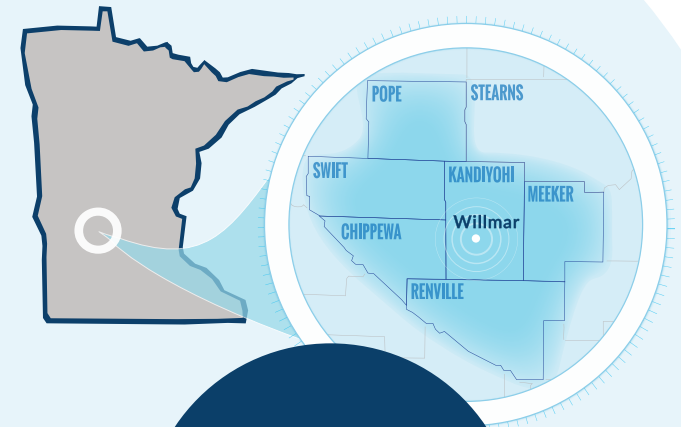
Willmar's diverse economy and population provide new and existing businesses the right socio-economic environment for growth and success. Located 90 miles west of Minneapolis/St. Paul, this county seat with 20,000+ residents, offers the key transportation routes needed for today's businesses.

Surrounded by productive farmlands and scenic lakes, this vibrant community supports robust medical, technology, service and value-added sectors.

With an average yearly enrollment of 5,500 students and rated #1 among Minnesota Community Colleges, Ridgewater College is an essential asset for the Willmar community and employers.<sup>1</sup>

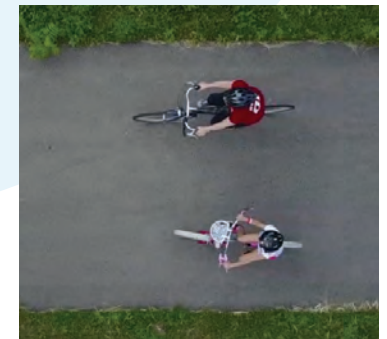
Willmar is a regional center for advanced manufacturing, agricultural biosciences, healthcare, retail, service and hospitality. These industries generate employment opportunities and livable wages for thousands of families in the surrounding communities.

<sup>1</sup>Niche.com



## FAST FACT

Nearly 12,000 employees commute to Willmar for work on a daily basis.



# INDUSTRIES



## FAST FACT

Private investment  
in the MinnWest  
Technology Campus now  
exceeds \$17 million.

## ADVANCED MANUFACTURING

The Willmar area hosts emerging regional technologies in the fields of food manufacturing, robotics, and advanced agriculture. Companies like Select Genetics, Nova-Tech Engineering, DI Labs, Epitopix, and RELCO have access to a thriving, highly-skilled workforce provided by Ridgewater College and the University of Minnesota's Mid-Central Research and Outreach Center (MCROC). Cooperation with educational programs and the Ridgewater College allows business leaders to help prepare the future workforce.

## AGRICULTURE

Willmar is a prime location for agribusiness, bioscience, and technology businesses and is home to industry leaders. Jennie-O, the nation's largest turkey processing company, and RELCO, the world's third-largest dairy equipment manufacturer, are located in Willmar's Industrial Park. Epitopix, an affiliate of the Netherlands' company, Vaxxinova, is a veterinary biologics research, development, and manufacturing company located in Willmar. Nova-Tech Engineering, situated on the MinnWest Technology Campus, manufactures and leases poultry-treating equipment used globally.



## MEDICAL

As a regional medical center, Kandiyohi County has state-of-the-art facilities and hundreds of medical professionals who provide outstanding care. At every stage of your life, Kandiyohi County has healthcare options for almost every circumstance. There are over 5,000 healthcare jobs in Kandiyohi County, making it the region's top industry and that number continues to grow.





# GROWTH

Health care and social assistance are the largest and fastest growing industries and may account for up to 40 percent of the projected growth. Construction, professional services, technical services and agriculture represent areas of expected further growth.

The projected growth continues to build the confidence in business owners and community leaders who support expansion. Willmar's Opportunity Zone is an ideal location for investors wishing to tap into the city's future.

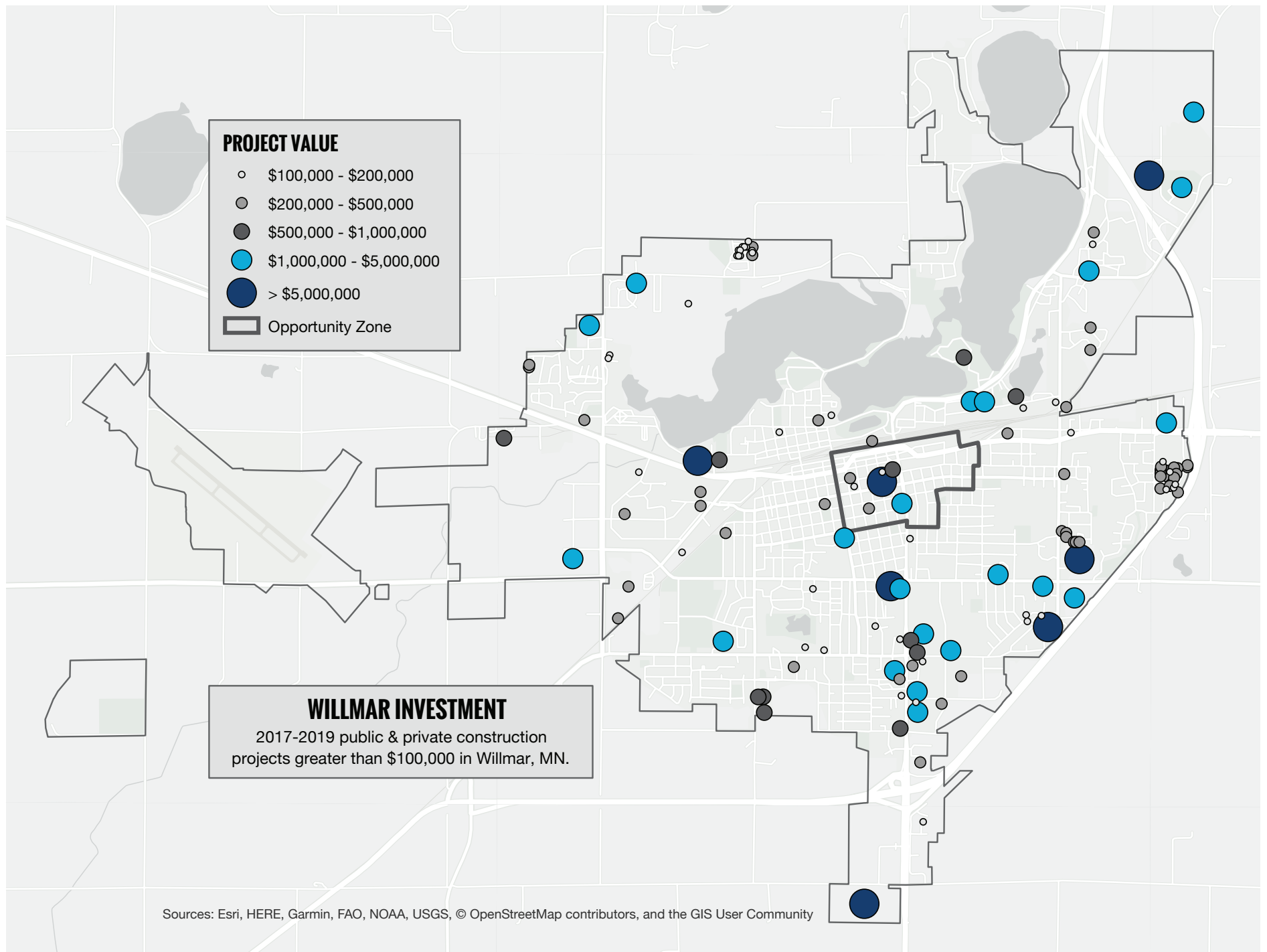
## FAST FACT

From 2016 to 2019, there has been \$190 million in commercial, industrial, institutional, and residential construction in Willmar.



*"The Willmar Lakes Area is full of people deeply invested in our communities. They dream big dreams, step up to lead and roll up their sleeves to make things happen not only from a business mindset but from a quality of life perspective."*

**Sara Carlson, Executive Director • Willmar Area Community Foundation**



# WORKFORCE

Willmar is the regional center for West Central Minnesota and extends employment opportunities into the six contiguous counties of Chippewa, Meeker, Pope, Renville, Swift and Kandiyohi. Of the 103,000 residents, over 65,000 are employed earning an average household income of \$51,859. Almost 90% of the residents have a high school or higher level of education with 18% holding a bachelor's degree or higher.

Willmar continues to see steady increases in the number of workers aged 20 to 44 years and gains in workers over 65 years of age. The 25 to 54-year-old age group is the largest contributor to the Willmar's labor force, accounting for 58 percent of the total. Latino and East African working populations increasingly contribute to Willmar's workforce. As with many areas of the U.S., access to a steady or growing workforce is critical to future area economic development.

"The way this community has embraced its growing workforce, its immigrant workforce, and is navigating those challenges is really a model for the rest of the state," Steve Grove, MN DEED Commissioner, said in an interview following an hour-long question-and-answer exchange with about 30 business and community leaders at the MinnWest Technology Campus.

## FAST FACT

From 2010 to 2018 Kandiyohi County's labor force grew three times as fast as its overall population growth







# TRANSPORTATION/DISTRIBUTION

Willmar's comprehensive transportation network has an abundance of modalities to keep goods and services moving through Kandiyohi County.

As a regional trade center for West Central Minnesota, one of the key elements in the city's plans is enhanced freight connectivity for industrial development. The \$48 million Willmar Rail Wye Project provides access and the opportunity to expand businesses and create jobs. With this rail spur, the Willmar industrial park will be served by all three major freight modes - air, rail, and trucking.

## FAST FACT

Each day 17,000 vehicles travel through the opportunity zone on 1st Street/Business 71 alone.

The Willmar Industrial Park to the west of the Opportunity Zone is stimulated by The Burlington Northern Santa Fe Class I Railroad. Minnesota's most active railway connections travel through Willmar providing superior access for our companies.

Highway Business 71 goes through the Willmar Opportunity Zone and connects with two major highways, US Highway 12 and MN Highway 23.

The Willmar Municipal Airport sufficiently accommodates business jets and cargo planes with the paved 5,500-foot runway. This airport offers precision instrument approach, non-precision instrument approach, and aircraft storage. Business travelers and owners have access to a full-service, fixed-base operator (FBO) without the congestion of a metro airport.

# CAPITAL INVESTMENT

Kandiyohi County has experienced sustained growth over the past six years with investments occurring in medical, manufacturing, institutional, retail, and housing.

Private investment in the MinnWest Technology Campus now exceeds \$17 million since 2006.

Highway 23 Coalition successfully lobbied for \$105 million in Corridors of Commerce funding to expand two-lane gaps to four lanes extending north from Willmar.

From 2016-2018, approximately \$63 million has been invested in housing in Kandiyohi County (including Willmar) creating over 300 multi-family and single-family housing units, and over 150 housing units are underway in 2020.

In the last two years, education investments include a newly constructed \$27 million Lakeland Elementary school in Willmar and a \$25 million Performing Arts Center/Gymnasium addition in the New London-Spicer School District.

Implementation of the Rural Child Care Innovation Program has a total of 210 new spaces in two new childcare centers that are under construction.

## FAST FACT

Public and private investment in Willmar's Central Business District exceeded \$21 million over the last six years.





# INCENTIVES

Kandiyohi County & City of Willmar Economic Development Commission provides technical and financial assistance to businesses (both direct loans and loan guarantees). The EDC can develop and submit funding applications to the Minnesota Department of Employment & Economic Development on behalf of companies.

Southwest Initiative Foundation (SWIF) provides business loans in West Central and Southwest Minnesota communities. SWIF can finance up to \$300,000 for equipment, inventory, working capital and real estate.

West Central Angel Fund is Willmar-based and focuses on early to mid-stage investments in high-tech and growth companies. 28 investors have committed \$1.5 million to the fund.

Business & Industry (B & I) Loan Guarantees through USDA. This program is only available in rural areas with populations under 50,000. The maximum loan guarantee is 80% for up to \$5 million.

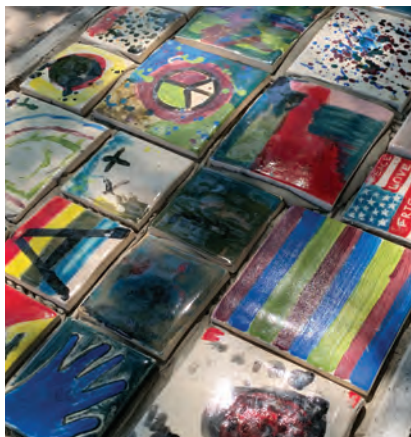
The EDC can also collaborate with the City of Willmar's Planning & Development Services Department on Tax Increment Financing (TIF) and Tax Abatement financial assistance for projects in the Willmar Opportunity Zone.

## FAST FACT

City officials pursuing additional layers of incentives to be added to the OZ capital gains tax incentives.

## FAST FACT

Development-friendly city issuing around \$50 million in construction permits annually





# INCLUSION STRATEGY

The City of Willmar is working towards equitable and inclusive growth for all segments of the community. Our inclusion process is evidenced by the successful participation of large Latino and East African populations that continue to grow the business community of Willmar and the surrounding area.

The 2017 Diverse BRE Survey identified 31 East African businesses, 27 Latino businesses and at least 8 Asian businesses in Willmar. Almost half of the Latino businesses have been operating for more than 10 years, and a fifth of the Latino businesses have been started within the last two years. Businesses created by the Somali population are more recent with one third in operation for over 10 years and one third starting in the last two years.



Successful Opportunity Zone development will increase economic growth, security and mobility for all Willmar residents and reduce racial wealth gaps. Developers, builders, and investors will have equal access to opportunities in the zone. The Opportunity Zone drives investments that foster mixed-income housing, affordability, and security for families most at risk of displacement, including low-income households and households with new Americans. Investments are expected to drive equitable growth and prosperity for current low-income residents and communities of new Americans within the zone.

Community groups and leaders continue to intentionally pursue equity throughout all facets of life in the Willmar area.

## FAST FACT

Kandiyohi county leaders understand the benefits of social and economic diversity and maintain a goal of equitable and inclusive growth for all segments of the community.

*“A healthy Willmar is an equitable and inclusive community where everyone is empowered, valued and treated with dignity.”*

**Willmar Human Rights Commission**



# BROADBAND

Willmar's aggressive approach to broadband accessibility is the bedrock of their regional resiliency and ensures long-term success and greater connectivity. Willmar continues to be a statewide leader in broadband adoption and has a strong legislative presence advocating for more accessibility and faster speeds.

## FAST FACT

Widespread access to high download speeds ensures global accessibility.



*"Ridgewater College has set a priority goal to eliminate the achievement gaps in our student population, aimed at ensuring that all members of our community achieve their full potential for career and life success."*

**Dr. Craig Johnson, President • Ridgewater College**

# PROPERTY TAXES

This chart shows the households in Willmar, MN distributed between a series of property tax buckets compared to the national averages for each bucket. In Willmar, MN the largest share of households pay taxes in the \$800-\$1,499 range (Census Bureau).

County Rate	59.15
City of Willmar	38.076
Willmar School District	24.05
Countywide HRA Rate	1.091
Countywide EDC and MMDC Rate	1.147
<b>Total for Willmar Residents</b>	<b>123.514</b>

*County rates the same for all cities but the city and school amounts vary.*

## FAST FACT

The overall index cost of living is almost 32% lower in Wilmar than in the Minneapolis, Minnesota metropolitan area. Minneapolis area housing costs are 68% higher and transportation costs more than 82% higher than in Willmar.



# REFERENCES

## PAGE NOTE

## SOURCE

2	Willmar's population is up 9% since 2000	In 2000, the U.S. Census listed Willmar's population as 18,351. In 2010, the U.S. Census listed Willmar's population as 19,610, an increase of 6.97%. In June 2018, Susan Brower, MN State Demographer, indicated Willmar's population was 20,008 or a 9.0% increase.
2	Kandiyohi County's labor force has risen by 5.4% from 2010 to 2018	Luke Greiner, Regional Analyst, MN DEED, May 2019, in Kandiyohi County Profile Report, Table II.
3	Arts community and rich cultural diversity featuring distinctive events and over 80 ethnic businesses	Aaron Backman, Executive Director, Kandiyohi Co. & City of Willmar EDC, Business Retention & Expansion (BRE) Program for Diverse Business in the Willmar Area (July 2017 and more recent data)
3	Lower cost of living than the Twin Cities and other metropolitan areas of Minnesota with average annual property taxes ranging between \$800-\$1,499	Mark Thompson, Kandiyohi County Auditor/Treasurer; Sperling's Best Places, 2019 Cost of Living Calculator
5	Nearly 12,000 employees commute to Willmar for work on a daily basis	Luke Greiner, Regional Analyst, MN DEED, June 2018, the data from State of Minnesota is from 2015
6	Private investment in the MinnWest Technology Campus now exceed \$17 million	Joanna Schrupp, General Manager, MinnWest Technology Campus, September 2019.
8	From 2016 to 2019, there has been \$190 million in commercial, industrial, institutional and residential construction in Willmar	Bruce Peterson and Dave Ramstad, Planning & Development Services, City of Willmar.
10	From 2010 to 2019 Kandiyohi County's labor force grew three times as fast as its overall population growth	Luke Greiner, Regional Analyst, MN DEED, May 2019.
11	Each day 17,000 vehicles travel through the opportunity zone on 1st Street/Business 71 alone	Willmar Traffic Volume Map, 2016, Minnesota Department of Transportation.



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|----|---|---|
| 12 | Public and private investment in Willmar's Central Business District exceeded \$21 million over the last six years  | Sarah Swedburg, City Planner, City of Willmar, Willmar Downtown Main Street Economic Development Report (2018). |
| 13 | City officials pursuing additional layers of incentives to be added to the OZ capital gains tax incentives  | Dave Ramstad, Planning & Development Services, City of Willmar.   |
| 13 | Development-friendly city issuing over \$50 million construction permits annually   | Dave Ramstad, Planning & Development Services, City of Willmar.   |
| 16 | Widespread access to 200MBPS in city of Willmar download speeds ensures global accessibility  | Pam Theisen, Account Manager Charter/Spectrum Enterprise  |
| 15 | Kandiyohi County leaders understand the benefits of social and economic diversity and maintain a goal of equitable and inclusive growth for all segments of the community   | City of Willmar Council and Human Rights Commission   |
| 17 | The overall index cost of living is almost 32% lower in Wilmar than in the Minneapolis, Minnesota metropolitan area. Minneapolis area housing costs are 68% higher and transportation costs more than 82% higher than in Willmar. | Sperling's Best Places, 2019 Cost of Living Calculator  |





# BIOGRAPHIES

## Aaron Backman

Executive Director

Aaron Backman, Executive Director Aaron Backman has been active in economic development management at the local level for 26 years. Since February of 2016 he has been the Executive Director of the Kandiyohi County & City of Willmar Economic Development Commission (EDC) in West Central Minnesota. In that capacity Aaron has been instrumental in getting approvals for a variety of projects in the Willmar Lakes Area, including:

- \$525,000 in TIF financing for 15th Street Flats, a new \$9.3 million multi-family affordable housing project in Willmar offering 47 units utilizing a 9.0% tax credit program from Minnesota Housing;
- \$983,000 in tax abatement financing for Little Crow Resort, a new \$7.8 million complex that includes a 51-room GrandStay Hotel, 300-seat event center, 75-seat restaurant and clubhouse;
- \$1,527,000 in TIF financing for Bethesda North Pointe, a new \$17.5 million senior lifestyle housing development under construction in New London encompassing 75 units of independent living, assisted living, and memory care. As the Executive Director of the Windom Economic Development Authority (EDA), Aaron was responsible for promoting, facilitating, and coordinating economic development activities for the City of Windom in Southwest Minnesota. He facilitated the development and expansion of the North Windom Industrial Park, a new 80-acre subdivision. He raised over \$1.4 million in state infrastructure grants for the project.





## Connie Schmoll

Business Development Manager

As the Business Development Manager for the Kandiyohi County and City of Willmar Economic Development Commission, Connie Schmoll identifies development needs and opportunities in Kandiyohi County emphasizing advancing agribusiness, bio-business, value-added agriculture and renewable resource development as economic drivers in the future success of Kandiyohi County.

In five years, she has facilitated several committees including the Business Retention and Expansion/Recruitment Committee, Agriculture and Renewable Energy Development Committee, and the Broadband and Advanced Technology Committee. She has conducted studies of local business needs and agriculture production, agri-business and agriculture/bioscience industries retention issues and expansion plans.

In 2017, Connie was instrumental in establishing the West Central Angel Fund that has 28 local members and makes investments in early to mid-stage private companies that demonstrate the potential for sustainable, profitable, growth-capable operations while providing a suitable return for investors.

Connie has over 20 years of experience in fund development and grant writing. She wrote a successful proposal for Transportation Economic Development (TED) Grant funds to enhance a rural road for a large dairy operation. She has recently prepared and submitted a \$1.3 million grant proposal to the State of Minnesota for Innovative Business Development Public Infrastructure funds to assist the City of Willmar and a local business in expansion efforts, including an extension of city utilities.

Connie gained her fundraising and grant writing skills in a prior position as Executive Director of a non-profit organization. She led the organization in a \$1.5 million capital campaign and building project that served as a shelter for women and children.

Connie is a graduate of St. Catherine's University in St. Paul, Minnesota.



Kandiyohi County & City of Willmar  
ECONOMIC DEVELOPMENT COMMISSION

222 20th Street SE  
P.O. Box 1783  
Willmar, Minnesota 56201  
320-235-7370 **phone**  
866-665-4556 **toll-free**  
320-231-2320 **fax**  
**[www.kandiyohi.com](http://www.kandiyohi.com)**

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# Highway 23 Corridor

## 2020 Priority Projects

