

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)
JOINT OPERATIONS BOARD OF DIRECTORS (OB) MEETING
MINUTES
October 14, 2021
Community Room, Heritage Bank, Willmar and Via Zoom Video Conference**

Present: Abdullahi Awale, Art Benson, Rollie Boll, Donna Boonstra (via Zoom), Jesse Gislason and Les Heitke

Ex Officio: Julie Asmus

Excused: Kelly TerWisscha

Guests: Marv Calvin, Vicki Davis, Steve Gardner and Rollie Nissen

Staff: Aaron Backman, Executive Director and Sarah Swedburg, Business Development Manager

Media: Shelby Lindrud, West Central Tribune

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

Vice President Art Benson called the meeting to order at approximately 11:03 a.m. and declared a quorum was present.

AGENDA

IT WAS MOVED BY Les Heitke, SECONDED BY Rollie Boll, to approve the Agenda and following Consent Agenda. MOTION CARRIED.

CONSENT AGENDA

- Approve:
1. Minutes of September 9, 2021 meeting
 2. Financial reports as of September 30, 2021
- Accept: Committee/Subcommittee Minutes
1. Agriculture and Renewable Energy Development 8/19/2021
 2. Broadband and Advanced Technology 9/13/2021
 3. Finance 8/10/2021

UNFINISHED BUSINESS

Marketing and Communications Specialist Employment Offer. Aaron Backman thanked the review committee consisting of himself, Julie Asmus, Art Benson, Les Heitke, Sarah Swedburg

and Nancy Birkeland for their work in hiring for the new position, as well as input received from Melissa Knott, a member of the EDC's Marketing and Public Relations Committee. Backman reviewed the hiring process for the position. The review committee unanimously recommends the hiring of Kelsey Olson of New London. Olson is employed by the Minnesota Department of Natural Resources as an interpretive naturalist at Sibley State Park. Backman provided background information on Olson's education, work history and awards she has received as noted on her resume (see attached). Olson accepted the offer extended to her in a September 10, 2021 letter (see attached). Olson recently had a baby so the offer includes starting work part time on November 16, 2021 and increasing hours until she is working full time Monday through Thursday at 32 hours by the end of December. Initially, Olson will maintain health insurance coverage under her husband's coverage.

Backman noted the EDC just received notice that its small group renewal rate with BlueCross BlueShield of Minnesota will have a small increase of 1.6% for 2022.

IT WAS MOVED BY Jesse Gislason, SECONDED BY Rollie Boll, to approve the recommendation of the review committee and recommend to the Kandiyohi County and City of Willmar Economic Development Commission (EDC) Joint Powers Board that the EDC hire Kelsey Olson as its Marketing and Communications Specialist at the terms outlined in the offer letter. MOTION CARRIED.

[The meeting was recessed at approximately 11:18 a.m. for the Joint Powers Board to hold a special meeting. The meeting was called back to order at approximately 11:22 a.m.]

Backman noted that because the position is new, it will be re-evaluated in two years. Olson was hired at 32 hours, but noted it is possible her hours could increase over time.

NEW BUSINESS—

Certificate of Deposit at United Prairie Bank. Backman noted the Certificate of Deposit at United Prairie Bank in the amount of \$109,619.23 matured on October 12, 2021. The renewal rate with United Prairie Bank for one year will be .36% APR or at six months it would be .31% APY. Backman recommends it be renewed for one year.

IT WAS MOVED BY Rollie Boll, SECONDED BY Jesse Gislason, to renew Certificate of Deposit XXXXX4720 for one year with United Prairie Bank at an APY of .36%. MOTION CARRIED.

[The agenda was taken out of order.]

REPORTS

Economic Development Activity. Backman provided information on a new project by Willmar Poultry that was unanimously approved by the Willmar Planning Commission last night.

Willmar Poultry is buying 4.1 acres from the City of Willmar to expand its brooding facility near the Willmar Wastewater Treatment Plant. It will be a \$4.5 million project with 30 to 40 new employees, some of whom will be research specialists with higher wages. The city-owned property will be re-zoned from government to agricultural. Also considered last night by the Planning Commission was a Tax Increment Financing (TIF) district for the housing project in Block 25 of the Renaissance Zone. Due to environmental issues, there is clean-up needed at the property. Swedburg stated the public hearing for TIF will take place on November 1, 2021 at city council. This \$10 million project will consist of four floors with a total of 58 units and underground parking. Last night the Planning Commission approved the minor subdivision and the TIF district. Because it is in the Renaissance Zone, 5% (3) of the units must be affordable and 95% market rate.

[David Eurlle joined the meeting.]

Because of smaller populations and the high cost of building materials, developers have often not considered housing projects in outlying communities. The Raymond Economic Development Authority (EDA) set aside lots in the city and has worked with a developer, who has been building single-family homes. Also, Raymond has single-family homes being sold by older residents that are being purchased by young families.

NEW BUSINESS CONTINUED—

2020 Audit. David Eurlle of Westberg Eischens presented a draft of the 2020 audit (see attached). Eurlle reviewed the following areas of the audit:

- Management’s Discussion and Analysis on page 6 noting assets increased by \$66,000; cash was reduced by \$20,000 and long-term liabilities increased due to PERA. The total net position increase was \$71,456, which was a good year.
- Management’s Discussion and Analysis on page 7, which shows a big increase in revenue and expenses due to the CARES Act funds; otherwise, activities were similar to 2019.
- Schedule of Findings and Questioned Costs on page 36 is relative to the federal grant awards. Eurlle noted all procedures were handled correctly relative to those funds. The other findings are the same as in the past and are due to the small size of the EDC, limited segregation of duties and that the auditor made adjustments at year end.

Backman noted Kandiyohi County has requested a copy of the final audit. Eurlle recommended each of the governmental entities that provided funds to the EDC receive a copy of the audit. Les Heitke questioned the cost of the audit. Backman responded the EDC budgeted \$8,350 for the audit. Eurlle noted there will be an additional expense this year due to auditing the federal grant funds. Backman noted there are grant funds remaining that can be used for the extra audit expense.

IT WAS MOVED BY Rollie Boll, SECONDED BY Les Heitke, to recommend to the Kandiyohi County and City of Willmar Economic Development Commission Joint Powers Board that it accept the 2020 audit completed by Westberg Eischens.
MOTION CARRIED.

[Eurle was excused from the meeting.]

REPORTS CONTINUED—

Economic Development Activity. Backman reported Unique Opportunities is moving ahead with Phases 3 and 4 of its project and obtained permits for both buildings. Each project is an investment of \$8 million and will have a total of 144 new units. It started pouring footings for Phase 3 and would like to start Phase 4 this fall as well. Once the grounds are completely finished, it will add outdoor amenities. The county resurfaced County Road 5 and added a turn lane to accommodate the added traffic in this area. A maintenance and management office is in the Phase 2 building. Each building has a community space, surface parking and underground parking. In the first week of October work began on the new housing project behind PetSmart, which will be market-rate housing. Backman and Swedburg toured Bethesda North Pointe in New London and met the new activity director. They both agreed the facility was beautiful and has good amenities, including Club Bethesda, therapy area and, in the future, pickle ball courts. There is underground parking for independent living units and a woodworking area for residents, an outdoor patio on the second level and a walkway around the complex. Staffing is an ongoing issue so as staff is hired, it will open up to more residents; they are moving in residents slowly to avoid congestion.

Elevate Business Academy. Swedburg reported there are nine students representing seven businesses; participants are enthusiastic. Classes have been held in-person at The Goodness and relationships are being built as the students interact. This week's class is the fourth class and is on competition and target marketing. The group will visit a couple of businesses from the last co-hort. They would like to translate the class materials into Somali, which will cost approximately \$25,000. Southwest Initiative Foundation (SWIF) may provide some funding and there are locals who will fund particular projects. SWIF and the EDC have each applied for grants for the program. A waiting list of 10 individuals has been started for next spring and there are 10-15 potential students interested in a Somali course. A Spanish course may also be available, but instructors need to be found and trained. A couple of current students are interested in becoming instructors.

Swedburg provided information on a loan approved by the Finance Committee to Cheers of Raymond, which is being purchased by Trevor Johnson, who is the general manager for the Green Mill. The EDC closed on the loan this morning and the bank will close on Monday. Swedburg continues to work with Amin Grocery and has been working with Royal Cutz Barber Shop to purchase a potential new location. Swedburg assisted 15 businesses with the Minnesota Main Street COVID Relief Grant Program that was open for about 10 days. The EDC reached out to more than 200 businesses and answered questions.

COMMITTEE REPORTS

Agriculture and Renewable Energy Development. Boll reported plans are underway for next year's Partners in Ag Innovation Conference. The Industrial Hemp Exploratory Subcommittee is still working, but red tape is hindering progress.

Broadband and Advanced Technology. Donna Boonstra reported it appears projects are moving forward. Kandiyohi County approved funding for Charter using ARPA funds and Charter will provide more funding than initially planned. Backman reported an application for the National Telecommunications and Information Grant Program (NTIA) was submitted for seven townships in the northwest part of the county; notification of any award should be received by the end of November. The city of Prinsburg's project with Arvig is moving forward. The committee is still waiting for the state's Border-to-Border Grant application; however, the state is waiting to hear if federal funds can be combined with state funds and it may be next year before a decision is made.

Business Retention and Expansion/Recruitment. Backman reported he and Swedburg participated in the West Central Minnesota Job Fair yesterday at Ridgewater College where more than 300 job seekers and 53 employers attended.

[Awale was excused from the meeting.]

Heitke noted there is a job fair being held today by Carris Health. It was noted individual businesses are holding their own job fairs.

Finance. Swedburg provided additional information on the loan approved by the Finance Committee.

IT WAS MOVED BY Jesse Gislason, SECONDED BY Rollie Boll, to approve the recommendation of the Finance Committee to approve a seven-year \$25,000.00 loan to High Intensity Fitness of MN LLC, doing business as Cheers of Raymond, under the Kandiyohi County and City of Willmar Economic Development Commission's Revolving Loan Fund Program at 5% interest with a security position in the real estate, machinery, equipment and inventory, secondary to United Prairie Bank with payments to begin November 15, 2021. MOTION CARRIED.

Marketing and Public Relations. No additional report.

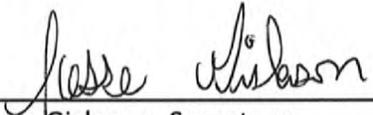
Leisure Travel. Benson attended the most recent meeting, which was held at Island View Resort on Nest Lake. They met the new owners of the resort. Local resorts had a very good summer.

WHAT'S UP? Heitke reported he attended the Willmar City Council retreat last Friday and Saturday. The City Council is looking ahead and it appears there will be more serious discussion on the City Hall and Community Center. If the city does not meet its goal of funding through the local option sales tax, the Community Center may not be included. Asmus commented on the retreat noting it helped with some communication issues. A space analysis was done on the current City Hall, but now a future needs assessment will be done. Gislason reported Spicer is working on its comprehensive plan and there have been good discussions around the city. Alley on Ash will be hosting youth bowling tournaments over upcoming three weekends. Boonstra reported the Highway 23 Coalition needs to be ready to apply for any

federal grants. St. Cloud has expressed interest in membership. Her personal business is going well and she will have a large project starting in January. Boll noted weather has been good for harvest. Prices remain high and crop inputs are going off the scale for next year. Gislason noted wages and food costs are much higher and supply is not available. Benson reported curling season started. They will begin fundraising soon for the \$3.2 million project. The city of Willmar has determined a lead contractor and is requiring a certain amount of funds be raised before construction will begin. It is a regional project covering five counties.

NEXT MEETING—The next board meeting is 11:00 a.m., Thursday, November 11, 2021 at the Community Room of Heritage Bank, Willmar and via Zoom video conference.

ADJOURNMENT—There being no other business, the meeting was adjourned at approximately 1:03 p.m.



Jesse Gislason, Secretary

APPROVED: 11/10/2021



Art Benson, Vice President

KELSEY OLSON

19298 Hwy 9 NE, New London, MN 56273 | H: 612-790-0244 | kelseynewstromolson@hotmail

Motivated and organized professional where strong communication skills is the common thread throughout a 15-year career. Guided by the principles of confidence, integrity and accountability which results in professional excellence.

KEY ABILITIES AND QUALIFICATIONS

- Work efficiently, independently and as part of a team
- Ability to translate technical information into comprehensible language for members of the general public
- Ability to plan, organize and execute large and formal conferences, trainings, and public events through attention to detail while looking at the larger picture
- Confident public speaker that can quickly adapt communication strategies and methods to reflect the audience at hand
- Make decisions based on the vision, guiding principles and priorities of an organization
- Can balance a range of priorities with time management considerations

EXPERIENCE *2021*

11. 2019 to 5. ~~2017~~ *2021* Case Intake Operations (Redeployment in Response to COVID-19)

Minnesota Department of Health

- Adapted quickly with reassignment duties in response to COVID-19
- Ability to quickly learn new skills and implement independently including learning and becoming efficient to navigate software and databases proficiently
- Use dynamic problem solving skills to investigate and make decisions to achieve goals

1.2015 to current State Park Interpretive Naturalist / Professional Communicator

Minnesota Department of Natural Resources / Division of Parks and Trails

All Interpretive Naturalist / Communicator skills applicable to all similar positions

- Present information using strong communication skills to diverse audiences in changing environments with the ability to adapt to audiences
- Manage the New London Oral History Project, including the creation of a functional, user friendly and professional interactive website
- Create non-personal media including interpretive signs, brochures and hand-outs
- Respond to all media requests, including radio, newspaper and promotional inquiries
- Plan, coordinate, facilitate and execute large events with multiple partners, including a statewide Parks and Trails event for over 300 professionals
- Develop Facebook posts for MN DNR
- Created a guide for statewide naturalist use on creating, uploading and editing video production for Facebook publication on DNR state website
- Support marketing plans by providing constructive feedback to the marketing team
- Create and sustain positive relationships with a variety of stakeholder groups and organizations through recruitment and outreach efforts

1.2013- 3.2015 State Park Interpretive Naturalist / Professional Communicator

Minnesota Department of Natural Resources / Division of Parks and Trails

- Assisted in reaching the goal of 10,000 followers on the DNR Facebook site through providing material that attracted viewers
- Provide prompt, professional verbal and written customer service
- Strong knowledge of all Microsoft applications, Outlook and InDesign and Photoshop

4.2013 – 11.2013 State Park and Scientific and Natural Area (SNA) Interpretive Naturalist

Minnesota Department of Natural Resources / Divisions of Parks and Trails and Eco and Water Resources

- Developed public awareness and education of SNAs
- Identified local stakeholders and created lasting relationships
- Collaborated across division boundaries to promote communication and successful execution and completion of goals for success
- Worked independently with little supervision to identify action steps and necessary tools to accomplish tasks
- Managed all aspects of developing brand new programming

VOLUNTEER / SERVICE POSITIONS

2019- Present Sibley State Park Improvement Association Board Member

- Work with board members to make educated decisions on the resources of the park
- Respond to and meet all media requests

2019-Present Middle Fork Crow River Watershed District Board Member

- Collaborate with board members and watershed staff to make project decisions on behalf of the public interest
- Make decisions on the operation and implementation of a general levy fund in compliance with state and county laws
- Review policy

2021 – Present Minnesota Association of Public Employees (MAPE) Work Place Captain and Meet and Confer Committee Service Member

- Collect, organize and prioritize the needs of MAPE workers to present to state divisional leadership
- Propose action steps towards positive solutions
- Work with ethics and affirmative action officers

RECOGNITION

- MN DNR Employee Recognition Award for Conservation Enhancement 2012
- MN DNR Commissioner's Recognition Award for service on the Division of Parks and Trails Customer Service Training Team in the category of Operational Excellence 2017
- MN DNR Parks and Trails 2020 Outstanding Customer Service Award with a focus on meeting DEI goals



September 10, 2021

Ms. Kelsey Olson
19298 Highway 9 NE
New London, MN 56273

RE: Marketing & Communications Specialist Position

Dear Kelsey:

On behalf of the Review Committee, I would like to offer the EDC's Marketing and Communications Specialist position to you with the following terms:

1. You will be an "at will" employee, not under contract, with a 90-day probationary period. Your first day of employment will be on or before November 16, 2021.
2. Annual salary will be \$51,500 prorated from the time employment begins paid on the 15th and last working days of each month.
3. Single-coverage health insurance is available prorated from the time employment begins. In 2021, the EDC is paying 89% of the approximate annual premium. You would pay the difference, which would be deducted from each paycheck. The amount of the premium will be provided for information.
4. Enrollment in PERA with the EDC contributing the employer's portion at the current rate of 7.5%.
5. Ability to participate in the Minnesota State Retirement System, such as the Minnesota Deferred Compensation Plan (MNDCP), a 457 Plan.
6. The following pursuant to the EDC's Employee Handbook:
 - a. General work day from 8:30 a.m. to 5:00 p.m., which includes a one-hour lunch period, Monday through Friday. You may be occasionally asked to work more hours than a normal work day and, thus may reduce work hours on subsequent days at your discretion.
 - b. This position is initially established for 32 hours a week and will be considered full-time for purposes of benefits. There will be an initial ramp-up of work hours during November and December of 2021 as follows:

Week of November 15 th —8 hrs.	Week of December 13 th —16 hrs.
Week of November 22 nd —8 hrs.	Week of December 20 th —16 hrs.
Week of November 29 th —12 hrs.	Week of December 27 th —32 hrs.
Week of December 6 th —12 hrs.	

Ms. Kelsey Olson
Page 2
September 10, 2021

- c. Vacation for employees with less than 3 years of employment is earned at the rate of 3.67 hours per pay period (semimonthly) or 88 hours per year. Accumulated vacation shall not exceed 160 hours (end of year carryover). Upon separation, unused vacation is paid per the terms of the Employee Handbook. A vacation bank of 40 hours will begin at the time of employment.
- d. Sick leave earned at the rate of 4 hours per pay period up to a maximum of 160 hours. Upon separation, unused sick leave is paid per the terms of the Employee Handbook.
- e. Up to three working days with pay, per incident, as funeral leave for a death in the immediate family as defined in the Employee Handbook.
- f. The following paid holidays:

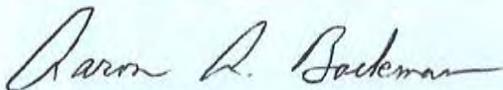
New Year's Day	Labor Day
Martin Luther King Day	Veteran's Day
President's Day	Thanksgiving Day
Memorial Day	Day after Thanksgiving Day
Independence Day	Christmas Day

As a new employee, to qualify for the holiday benefit, you will need to work 32 hours during the week of the holiday. Military leave up to a maximum of 120 working hours off with pay according to the terms of the Employee Handbook.

- g. Time off with pay to serve on a jury according to the terms of the Employee Handbook.
 - h. Reimbursement of travel and related expenses.
- 7. Cell phone and data plan.
 - 8. Continuing education (for example, the International Economic Development Council training course on Economic Development Marketing & Attraction) as allowed within the EDC's annual budget.
 - 9. Ability to work remotely when deemed appropriate by the Executive Director.

Final approval of your hiring and the above terms are subject to approval by the EDC's Joint Operations Board and Joint Powers Board in October.

Sincerely,



Aaron A. Backman
Executive Director

This offer and terms are accepted, but signing does not constitute a contract:

Kelsey Olson

Digitally signed by Kelsey Olson
Date: 2021.09.11 19:12:33 -05'00'

Kelsey Signature/Date

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

ANNUAL FINANCIAL REPORT

**YEAR ENDED
December 31, 2020**

DRAFT

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**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
BOARD OF DIRECTORS
December 31, 2020**

<u>Position</u>	<u>Name</u>	<u>Term Expires</u>	<u>Representing</u>
Board of Directors – Joint Powers Board			
Chair	Roland Nissen	12/31/2020	Kandiyohi County
Vice-Chair & EDCOB Liaison	Julie Asmus	12/31/2020	City of Willmar
Secretary	Fernando Alvarado	12/31/2020	City of Willmar
Treasurer	Harlan Madsen	12/31/2020	Kandiyohi County
Board Member	Steven Ahmann	12/31/2020	Kandiyohi County
Board Member	Kathy Schwantes	12/31/2020	City of Willmar
Board of Directors – Operations Board			
President	Kelly TerWisscha	12/31/2020	
Vice President	Kerry Johnson	12/31/2020	
Secretary	Art Benson	12/31/2021	
Treasurer	Roland Boll	12/31/2021	
Board Member	Jesse Gislason	12/31/2021	
Board Member	Lester Heitke	12/31/2022	
Board Member	Donna Boonstra	12/31/2022	
Ex-Officio	Julie Asmus	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, 2020, 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, 2020, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kandiyohi County and City of Willmar Economic Development Commission's basic financial statements. The Board of Directors section identified in the Table of Contents is presented for additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Board of Directors section identified in the Table of Contents 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 October 11, 2021, 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

October 11, 2021

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

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 2020 the 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 childcare 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, 2020, 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, 2020 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, 2020**

Financial Highlights

Under GASB 34, the Kandiyohi County and City of Willmar Economic Development Commission's single government activities financial statements for December 31, 2020, 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:

- Total assets of the EDC were approximately \$1.131 million at December 31, 2020. Total deferred outflows of resources were approximately \$18 thousand at December 31, 2020. Total liabilities of the EDC were approximately \$197 thousand at December 31, 2020. Total deferred inflows of resources were approximately \$6 thousand at December 31, 2020. Thus, total net position was approximately \$946 thousand at December 31, 2020.
- Total revenue increased by approximately \$3.403 million during the year ended December 31, 2020. Total revenues were approximately \$3.511 million for the year ended December 31, 2020.
- Total expenses increased by approximately \$3.383 million during the year ended December 31, 2020. Total expenses were approximately \$4.038 million for the year ended December 31, 2020.
- Net position increased by approximately \$83 thousand for the year ended December 31, 2020.

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:

- *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.
- *Restricted net position* - consists of assets which uses are restricted by donors, grantors, or other legally binding obligations.
- *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 \$186,300 for EDC Committee expenses and actual expenditures totaled \$119,600 in 2020. 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, 2020**

Net Position

Table I reflects the EDC's condensed summary of the statement of net position as of December 31, 2020, with comparative amounts for 2019.

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

<u>Description</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>
Current and other assets	\$ 1,118,545	\$ 1,051,734	\$ 66,811
Capital assets, net	12,599	13,133	(534)
Total assets	<u>1,131,144</u>	<u>1,064,867</u>	<u>66,277</u>
Deferred outflows related to pension	18,357	14,101	4,256
Total deferred outflows of resources	<u>18,357</u>	<u>14,101</u>	<u>4,256</u>
Current and other liabilities	46,400	39,586	6,814
Long-term liabilities	161,877	143,748	18,129
Total liabilities	<u>208,277</u>	<u>183,334</u>	<u>24,943</u>
Deferred inflows related to pension	6,488	32,354	(25,866)
Total deferred inflows of resources	<u>6,488</u>	<u>32,354</u>	<u>(25,866)</u>
Net position			
Net investment in capital assets	12,599	13,133	(534)
Restricted net position	288,792	288,792	-
Unrestricted net position	633,345	561,355	71,990
Total net position	<u>\$ 934,736</u>	<u>\$ 863,280</u>	<u>\$ 71,456</u>

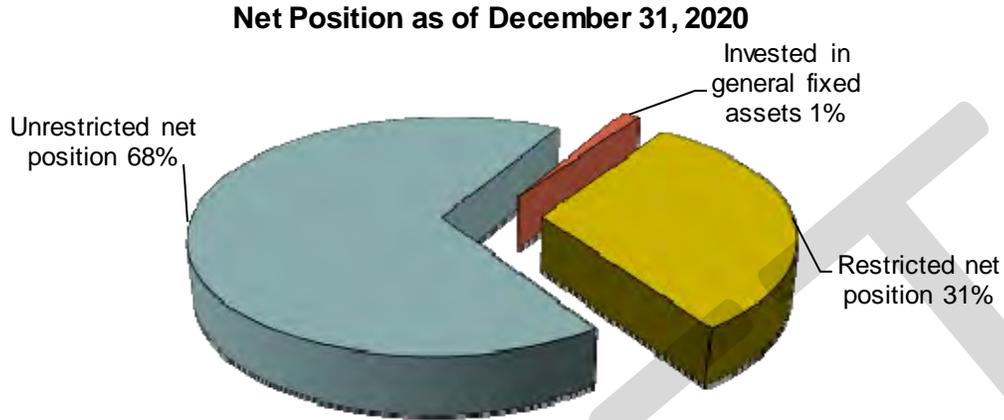
Investments in capital assets comprise about 1% of the EDC's total assets and about 1% of the total net position.

It was a positive year for the EDC's 2020 statement of net position. Current and other assets increased by \$66,277 and the assets of the organization exceeded \$1 million.

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, 2020**

Net Position (continued)



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 statement of activities.

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

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues			
Program revenues:			
Intergovernmental	\$ 3,498,968	\$ 107,887	\$ 3,391,081
Charges for services	1,375	890	485
General revenues:			
Property taxes	536,544	531,596	4,948
Interest income	15,039	17,683	(2,644)
Loss on sale of asset	-	(623)	623
Other income	57,053	50,953	6,100
Total revenues	<u>4,108,979</u>	<u>708,386</u>	<u>3,400,593</u>
Expenses			
Program expenses:			
Salaries including related taxes and benefits	254,333	233,536	20,797
Administration	134,085	148,284	(14,199)
Committees and special projects	127,725	129,920	(2,195)
Events and programs	3,824	13,200	(9,376)
Grants and donations	3,513,938	125,711	3,388,227
Depreciation	3,618	3,386	232
Total expenses	<u>4,037,523</u>	<u>654,037</u>	<u>3,383,486</u>

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

Statement of Activities (continued)

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

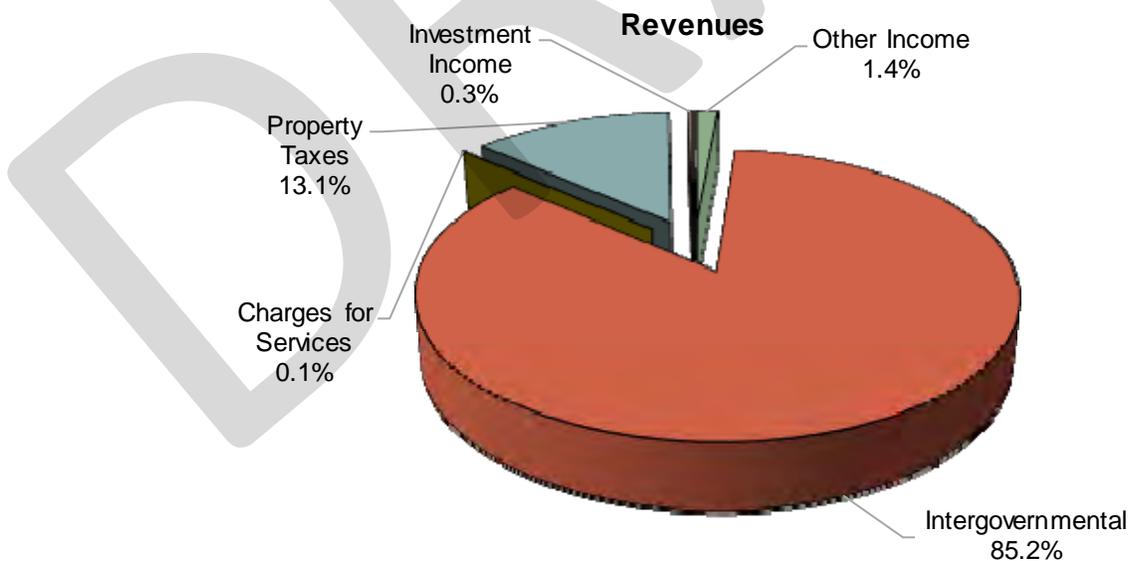
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Excess of revenues over expenses	71,456	54,349	17,107
Change in net position	71,456	54,349	17,107
Net position - beginning	863,280	808,931	54,349
Net position - ending	<u>\$ 934,736</u>	<u>\$ 863,280</u>	<u>\$ 71,456</u>

The increase in intergovernmental revenues reflects grants of approximately \$3.5 million received in 2020 from CARES Act funding. The increase in grants and donations also reflects the grants of approximately \$3.5 million that was disbursed in 2020. The EDC acted as an intermediary by receiving the funding from various cities and townships as well as Kandiyohi County and disbursing it as necessary. The increase in salaries and related taxes and benefits reflect the raises and bonuses given out during 2020. Administration expense decreased to \$134,085 which is consistent with previous years. 2019 included additional engineer and audit fees.

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 2020 the county levy represented 13% of the EDC's revenues, with the majority of the revenue being intergovernmental due to the CARES Act funding from various cities, townships, and Kandiyohi County. The remainder is grants, savings interest, and event sponsorships.

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

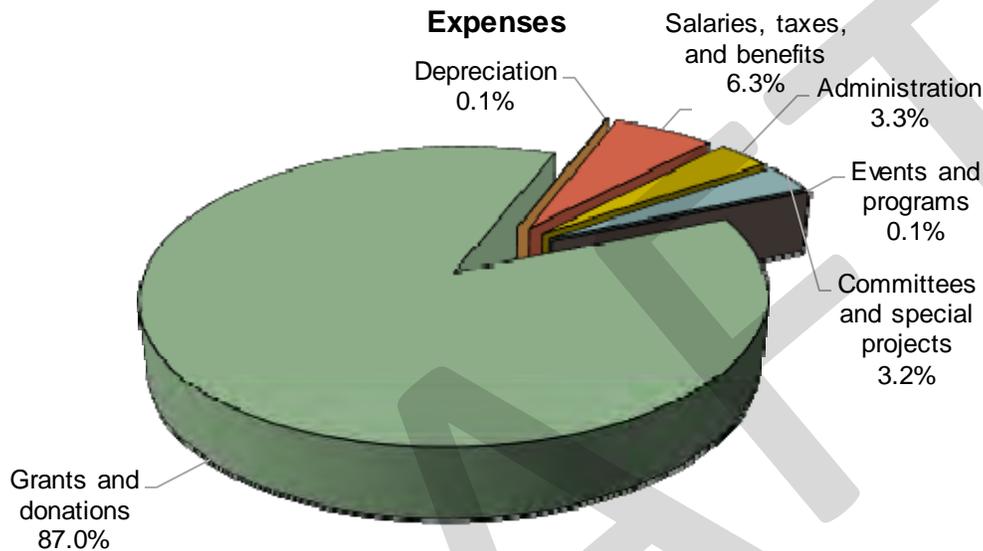


**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

Financial Analysis of the Organization as a Whole (continued)

For the year ended December 31, 2020, the EDC incurred operating expenses of \$4.038 million. Approximately 87% of the agency's expenses were tied to grants and donations.

The following graph illustrates the major expense groups and the percent of the total expense each represents for the year ending December 31, 2020:



General Fund Budgetary Highlights

Revenues for the EDC increased from \$708,386 to \$4,120,603, or by 481.69%, over the previous year. Expenses for the EDC increased from \$654,037 to \$4,037,523, or by 517.32%, over the previous year. The EDC's Joint Powers Board of Directors revised the 2020 budget in July of 2020 to increase the intergovernmental and other income in the amounts of \$2,800,000 and \$61,500, respectively as well as the grants and donations and committees and special projects expense in the amount of \$2,800,000 and \$66,700, respectively. This was to account for the CARES Act funding received from various cities, townships, and Kandiyohi County to be disbursed to local businesses as needed.

Capital Assets

At the end of 2020, the EDC had \$12,599 (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 2020, the EDC had \$30,116 in compensated absences and \$161,877 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 20th 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, 2020**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
ASSETS			
Cash and cash equivalents	\$ 453,914	\$ -	\$ 453,914
Certificates of deposit	109,620	-	109,620
Receivables			
Delinquent taxes	14,059	-	14,059
Loans, net of allowance	355,350	-	355,350
Rent deposit	3,600	-	3,600
Restricted cash	182,002	-	182,002
Capital assets			
Depreciable - net	-	12,599	12,599
Total Assets	<u>\$ 1,118,545</u>	<u>12,599</u>	<u>1,131,144</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions		18,357	18,357
Total Deferred Outflows of Resources		<u>18,357</u>	<u>18,357</u>
LIABILITIES			
Accounts payable	\$ 475	-	475
Payroll liabilities	4,185	-	4,185
Unearned grant revenue	11,624	-	11,624
Long-term liabilities			
Due in more than one year			
Compensated absences	-	30,116	30,116
Net pension liability	-	161,877	161,877
Total Liabilities	<u>16,284</u>	<u>191,993</u>	<u>208,277</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	-	6,488	6,488
Unavailable revenue - taxes	7,597	(7,597)	-
Total Deferred Inflows of Resources	<u>7,597</u>	<u>(1,109)</u>	<u>6,488</u>
FUND BALANCE			
Restricted	293,435	(293,435)	
Committed	280,186	(280,186)	
Assigned	25,750	(25,750)	
Unassigned	495,293	(495,293)	
Total Fund Balance	<u>1,094,664</u>	<u>(1,094,664)</u>	
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,118,545</u>		
NET POSITION			
Net investment in capital assets		12,599	12,599
Restricted		293,435	293,435
Unrestricted		628,702	628,702
Total Net Position		<u>\$ 934,736</u>	<u>\$ 934,736</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, 2020**

	General Fund	Adjustments	Governmental Activities
REVENUES			
Property taxes	\$ 536,544	\$ -	\$ 536,544
Charges for services	1,375	-	1,375
Intergovernmental	3,498,547	421	3,498,968
Interest income	15,039	-	15,039
Miscellaneous	57,053	-	57,053
TOTAL REVENUES	4,108,558	421	4,108,979
EXPENDITURES			
Salaries and wages	198,481	8,695	207,176
Payroll taxes and benefits	58,729	(11,572)	47,157
Administrative	134,085	-	134,085
Committees and special projects	127,725	-	127,725
Events and programs	3,824	-	3,824
Grants and donations	3,513,938	-	3,513,938
Capital outlay	3,084	(3,084)	-
Depreciation	-	3,618	3,618
TOTAL EXPENDITURES	4,039,866	(2,343)	4,037,523
EXCESS OF REVENUES OVER EXPENDITURES	68,692	2,764	71,456
NET CHANGE IN FUND BALANCE/NET POSITION	68,692	2,764	71,456
FUND BALANCE/NET POSITION, Beginning of year	1,025,972	(162,692)	863,280
FUND BALANCE/NET POSITION, End of year	\$ 1,094,664	\$ (159,928)	\$ 934,736
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			\$ 3,084
Depreciation expense			(3,618)
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.			
			11,993
In the statement of activities, compensated absences are expenditures when earned. In the governmental funds, however, expenditures are recognized when paid.			
			(8,695)
Total adjustment between change in fund balance and change in net assets			\$ 2,764

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

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 534,000	\$ 534,000	\$ 536,544	\$ 2,544
Charges for services	1,100	2,475	1,375	(1,100)
Intergovernmental	-	2,800,000	3,498,547	698,547
Interest income	14,488	14,488	15,039	551
Miscellaneous	<u>57,000</u>	<u>118,500</u>	<u>57,053</u>	<u>(61,447)</u>
TOTAL REVENUES	<u>606,588</u>	<u>3,469,463</u>	<u>4,108,558</u>	<u>639,095</u>
EXPENDITURES				
Salaries and wages	204,700	204,700	198,481	(6,219)
Payroll taxes and benefits	57,197	57,197	58,729	1,532
Administrative	159,230	159,230	134,085	(25,145)
Committees and special projects	119,600	186,300	127,725	(58,575)
Events and programs	13,050	13,050	3,824	(9,226)
Grants and donations	52,450	2,852,450	3,513,938	661,488
Capital outlay	<u>-</u>	<u>-</u>	<u>3,084</u>	<u>3,084</u>
TOTAL EXPENDITURES	<u>606,227</u>	<u>3,472,927</u>	<u>4,039,866</u>	<u>566,939</u>
NET CHANGE IN FUND BALANCE	<u>\$ 361</u>	<u>\$ (3,464)</u>	68,692	<u>\$ 72,156</u>
FUND BALANCE, Beginning of year			<u>1,025,972</u>	
FUND BALANCE, End of year			<u>\$ 1,094,664</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, 2020

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, 2020

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

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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, 2020

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, 2020, a summary of the governmental fund balance classifications are as follows:

Fund Balance	General Fund
Restricted	
Tourism development	\$ 13,641
KCEO program	9,980
Revolving loan fund	269,814
Committed	
Micro loan fund	100,000
Revolving loan fund	30,186
COVID-19 business assistance loan fund	150,000
Assigned	
Loan receivable - HRA of Willmar	25,750
Unassigned	495,293
Total Fund Balance	\$ 1,094,664

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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, 2020, 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;

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

A. Assets (continued)

1. Deposits and Investments (continued)

b. Investments (continued)

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

(4) bankers' acceptances of United States banks;

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The 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, 2020, 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, 2020, 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	355,350	214,773
Total Governmental Activities	\$ 369,409	\$ 222,370

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

A. Assets (continued)

2. Receivables (continued)

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, 2020, the balance of this loan was \$25,750.

Revolving Loan Funds – Consists of various term notes dated December 2011 through July 2019, requiring 60 monthly payments of \$475 to \$950 including interest at 5.25% to 6.25%. Matures January 2021 through March 2028. At December 31, 2020, the balance of these loans totaled \$166,315.

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, 2020, the balance of these loans totaled \$1,198. A provision has been made for estimated uncollectible amounts in the amount of \$1,198.

Willmar Area Multicultural Business Center (WAMBC)/Micro Loans – Consists of various term notes requiring monthly payments of \$150 to \$500 including interest at 0.00% to 3.00%. Matures December 2021 through September 2023. At December 31, 2020, the balance of these loans totaled \$35,930.

COVID-19 Business Assistance (COBAL) Loans – Consists of various term notes requiring monthly payments of \$140 to \$280 including interest at 0.00%. Matures December 2022. At December 31, 2020, the balance of these loans totaled \$127,355.

3. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Equipment	\$ 42,516	\$ 3,084	\$ 3,445	\$ 42,155
Total capital assets being depreciated	<u>42,516</u>	<u>3,084</u>	<u>3,445</u>	<u>42,155</u>
Less accumulated depreciation for:				
Equipment	29,383	3,618	3,445	29,556
Total accumulated depreciation	<u>29,383</u>	<u>3,618</u>	<u>3,445</u>	<u>29,556</u>
Total capital assets being depreciated, net	<u>13,133</u>	<u>(534)</u>	<u>-</u>	<u>12,599</u>
Governmental activities capital assets, net	<u>\$ 13,133</u>	<u>\$ (534)</u>	<u>\$ -</u>	<u>\$ 12,599</u>

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

A. Assets (continued)

3. Capital Assets (continued)

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

Governmental activities	
Economic development	\$ <u>3,618</u>

B. Liabilities

1. Long-Term Debt

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 21,421	\$ 22,257	\$ 13,561	\$ 30,116	\$ -
Net Pension Liability	<u>143,748</u>	<u>36,656</u>	<u>18,527</u>	<u>161,877</u>	<u>-</u>
Total Governmental Activities	<u>\$ 165,169</u>	<u>\$ 58,913</u>	<u>\$ 32,088</u>	<u>\$ 191,993</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 plan 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.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

B. Benefits Provided (continued)

1. General Employees Plan Benefits (continued)

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 2020 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, 2020, were \$14,886. The EDC's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2020, the EDC reported a liability of \$161,877 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. 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 \$4,842. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the EDC's proportion share was .0027% at the end of the measurement period and .0026% for the beginning of the period.

The EDC's proportionate share of the net pension liability	\$ 161,877
State of Minnesota's proportionate share of the net pension liability associated with the EDC	<u>4,842</u>
Total	<u>\$ 166,719</u>

For the year ended December 31, 2020, the EDC recognized pension expense of \$14,375 for its proportionate share of the General Employees Plan's pension expense. In addition, the EDC recognized an additional \$421 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.

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

D. Pension Costs (continued)

1. General Employees Fund Pension Costs (continued)

At December 31, 2020, 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	\$ 1,421	\$ 613
Changes in actuarial assumptions	-	5,875
Net collective difference between projected and actual investment earnings	3,543	-
Changes in proportion	5,743	-
Contributions paid to PERA subsequent to the measurement date	7,650	-
Total	\$ 18,357	\$ 6,488

The \$7,650 reported as deferred outflows of resources related to pensions resulting from the EDC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2021	\$ (5,485)
2022	\$ 1,342
2023	\$ 4,450
2024	\$ 3,912

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, 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, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions (continued)

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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 rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	100%	

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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.

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:

Sensitivity Analysis		
<i>Net Pension Liability at Different Discount Rates</i>		
	General Employees Fund	
1% Lower	6.50%	\$ 259,433
Current Discount Rate	7.50%	\$ 161,877
1% Higher	8.50%	\$ 81,402

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.

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. During the year ended December 31, 2020, all outstanding loan balances were paid off. Total outstanding loan balances under this loan program are \$0 at December 31, 2020.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

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. Effective December 2019, the lease was renewed with monthly rent of \$2,000 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:

<u>Year Ending December 31:</u>	<u>Amount</u>
2021	\$ 24,000
2022	\$ 24,000
2023	\$ 24,000
2024	\$ 22,000

NOTE 8 COVID-19

On March 11, 2020 the World Health Organization declared COVID-19 to be a global pandemic. The COVID-19 outbreak in the United States has caused significant disruptions throughout the national, state, and local economies. The potential financial impact to the EDC cannot be reasonably estimated at this time.

NOTE 8 SUBSEQUENT EVENTS

The EDC has evaluated subsequent events through October 11, 2021, 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, 2020	0.0027%	\$ 161,877	\$ 4,842	\$ 166,719	\$ 198,480	84.0%	79.1%
June 30, 2019	0.0026%	\$ 143,748	\$ 4,500	\$ 148,248	\$ 183,027	81.0%	80.2%
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**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a Percentage of Covered- Employee Payroll (b/c)
December 31, 2020	\$ 14,886	\$ 14,886	\$ -	\$ 198,480	7.50%
December 31, 2019	\$ 13,972	\$ 13,972	\$ -	\$ 186,300	7.50%
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.

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020

NOTE 1 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality 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.

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020**

NOTE 1 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (continued)

General Employees Fund (continued)

2018 Changes (continued)

Changes in Plan Provisions (continued)

- 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.

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

Federal Grant/Pass-Through Grantor/Program or Cluster	Federal CFDA Number	Pass-Through Grantor	Federal Awards	Federal Expenditures
Other Programs				
Department of the Treasury				
Coronavirus Relief Fund	21.019	Kandiyohi County	\$ 2,102,526	\$ 2,091,783
	21.019	City of Willmar	1,180,000	1,180,000
	21.019	City of Spicer	15,000	15,000
	21.019	Harrison Township	11,333	11,333
	21.019	City of Kandiyohi	10,000	10,000
	21.019	City of New London	33,500	33,500
	21.019	City of Atwater	21,000	21,000
	21.019	Lake Andrew Township	17,350	17,350
	21.019	New London Township	55,000	55,000
	21.019	Willmar Township	6,537	6,537
	21.019	Dovre Township	13,250	13,250
	21.019	Irving Township	7,000	7,000
	21.019	Genessee Township	5,000	5,000
	21.019	Colfax Township	9,000	9,000
	21.019	Burbank Township	14,075	14,075
	21.019	Edwards Township	4,125	4,125
	21.019	Lake Elizabeth Township	5,475	5,475
Total Coronavirus Relief Fund			<u>3,510,171</u>	<u>3,499,428</u>
Total Department of the Treasury			<u>3,510,171</u>	<u>3,499,428</u>
Total Other Programs			3,510,171	3,499,428
Total Expenditures of Federal Awards			<u><u>\$ 3,510,171</u></u>	<u><u>\$ 3,499,428</u></u>

See notes to schedule of expenditures of federal awards.

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2020

NOTE 1 REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Kandiyohi County and City of Willmar Economic Development Commission (EDC). The EDC's reporting entity is defined in Note 1 to the financial statements.

NOTE 2 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the EDC under programs of the federal government for the year ended December 31, 2020, and is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 3 PASS-THROUGH ENTITY IDENTIFYING NUMBERS

Pass-through entity identifying numbers, if any, are presented where available.

NOTE 4 INDIRECT COST RATE

During the year ended December 31, 2020, the EDC did not elect to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 5 CONTINGENCIES

In connection with various federal grant programs, the EDC is obligated to administer related programs and spend the funds in accordance with regulatory restrictions and is subject to audit by the grantor agencies and other auditors. In cases of noncompliance, the agencies involved may require the EDC to refund program funds.

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, 2020, 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 October 11, 2021.

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.

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 corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-003 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 questioned costs as items 2020-001 and 2020-002 to be significant deficiencies.

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

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 contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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 findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kandiyohi County and City of Willmar Economic Development Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

October 11, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Kandiyohi County and City of Willmar Economic Development Commission's (EDC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the EDC's major federal programs for the year ended December 31, 2020. The EDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the EDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

October 11, 2021

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	<u> X </u> yes <u> </u> no
Significant deficiency (ies) identified?	<u> X </u> yes <u> </u> no
Noncompliance material to financial statement noted?	<u> </u> yes <u> X </u> no

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness (es) identified?	<u> </u> yes <u> X </u> no
Significant deficiency (ies) identified?	<u> </u> yes <u> X </u> no
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516?	<u> </u> yes <u> X </u> no

Identification of Major Programs

CFDA Number(s)	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:	<u> </u> \$ <u>750,000</u>
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2020**

FINANCIAL STATEMENT FINDINGS

Finding 2020-001

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.

Questioned Costs:

None.

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.

Repeat Finding:

This finding was reported in the prior year as finding 2019-001.

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 2020-001

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 QUESTIONED COSTS
Year Ended December 31, 2020**

FINANCIAL STATEMENT FINDINGS (continued)

Finding 2020-002

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.

Questioned Costs:

None.

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.

Repeat Finding:

This finding was reported in the prior year as finding 2019-002.

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 2020-002

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 QUESTIONED COSTS
Year Ended December 31, 2020**

FINANCIAL STATEMENT FINDINGS (continued)

Finding 2020-003

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 to prevent or detect and correct 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.

Questioned Costs:

None.

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.

Repeat Finding:

This finding was reported in the prior year as finding 2019-003.

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 2020-003

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