

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)
JOINT OPERATIONS BOARD OF DIRECTORS (OB) MEETING
MINUTES
October 8, 2015
EDC Office, Willmar

Present: Art Benson, Rollie Boll, Robert Carlson, Donna Boonstra, Gary Gilman and Kelly TerWisscha

Ex Officio: Bruce Peterson and Doug Reese

Excused: Linda Kacher

Guests: Jim Ruff, Ruff & Co.

Media: Carolyn Lange, West Central Tribune

Staff: Steven Renquist, Executive Director and Connie Schmoll, Business Development Specialist

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

President Robert Carlson called the meeting to order at approximately 11:00 a.m. Added to the Consent Agenda was item 4, approve payment of invoice for \$2,500 from Willmar Lakes Area Community Vision 2040 for infrastructure stakeholder per the 2015 budget. Added to the Agenda under Unfinished Business was the Executive Director search and under New Business was an amendment to the 2015 budget and a report on the Inter-City Leadership Tour to Fargo.

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

CONSENT AGENDA—

- Approve:
1. Minutes of September 10, 2015 meeting
 2. Financial reports as of September 30, 2015
 3. Payment of invoice for \$2,125 from EsseX Capital, LLC for membership in Community Venture Network
 4. Payment of invoice for \$2,500 from Willmar Lakes Area Community Vision 2040 for infrastructure stakeholder per the 2015 budget

- Accept: Committee Minutes
1. Agriculture and Renewable Energy Development 8/20/2015
 - a. Ag Producers Survey Planning Subcommittee 9/9/2015
 - b. Ag Investment Planning Subcommittee 8/6/2015
 2. Broadband and Advanced Technology 8/31/2015
 3. Business Retention and Expansion/Recruitment 8/19/2015
 4. Finance 9/8/2015

PROGRESS REPORTS—

Willmar. Bruce Peterson reported the city of Willmar completed negotiations with property owners to bring the airport into compliance as to easements, which the Federal Aviation Administration (FAA) has now approved and a settlement agreement was signed last week. This should immediately release \$600,000 being withheld by the FAA and will open the stream for the city to receive \$150,000 annually for maintenance and capital improvements. This also frees up money for local matches for capital projects, including the railroad project. Peterson is working with the Willmar School District on siting for its new school; they continue to move forward with the Industrial Park development with a June 1, 2016 deadline for paving, curb and gutter and the city is still waiting to hear on the TIGER II grant.

Willmar Downtown Development, Inc. Steve Renquist reported Southwest Initiative Foundation (SWIF) and its new director will be in Willmar next week with whom he will have a conversation about EDC goals and objectives. The visit will include a tour of downtown Willmar and its activities, including the Barn Theatre and the former Erickson building and the new owner's goal of turning it into a multicultural market. The Willmar Area Multicultural Business Center named Charly Leuze as its new executive director; the Historic 313 project continues to move forward and the EDC's loan to Historic 313 will be disbursed soon.

EDC/MinnWest Technology Campus. Renquist reported the Animal Science Conference was again successful; the next event is the University of Minnesota (U of M) Showcase on October 29, which the EDC helps sponsor; he continues to promote the U of M Office of Technology Commercialization having a satellite office at the Mid-Central Research and Outreach Center; he is working on a project with MinnWest Technology Campus (MWTC) for a new tenant; continues working with Bethesda Homes on possibly converting its Heritage facility into workforce housing—the Southwest Minnesota Housing Partnership and a St. Cloud developer are interested; has begun discussions with local companies as to the ending of the JOBZ program and their real estate taxes assessed in 2016 will be payable in 2017 and what options they may have, including possible tax abatement; and is working with MWTC on possibly being designated a research and development facility for the state of Minnesota as to its energy plans (wind and ethanol) to still qualify for JOBZ benefits. Renquist informed the board he is a shareholder in Bushmills Ethanol so any discussions relative to its JOBZ benefits or tax abatement would be a conflict for him. Yesterday, Renquist met with members of the Willmar Curling Club and he will be providing technical assistance as to its pursuit of a new facility.

UNFINISHED BUSINESS

2016 budget. Renquist reviewed with the board the proposed 2016 budget (see attached). The proposed budget includes a five percent levy increase, which was done to avoid using reserves, however, to balance the budget, income from the reserve fund would need to be increased to \$103,305 for a total budget of \$588,113. The Joint Powers Board will discuss the 2016 budget at its October meeting. The proposed budget includes the potential TIGER II grant contribution and

continued membership in WORK UP. The initial one-year membership in WORK UP was paid in advance for \$5,400 and started in May. The board discussed making budget recommendations and recommended holding a working session with the Joint Powers Board. The board requested a three-year history of income and expenditures with a breakdown on larger categories, including memberships, dues and subscriptions and travel, conference and schools in comparison to the 2016 proposed budget. Renquist will contact the Joint Powers Board as to a working session with this board.

Executive Director search. Donna Boonstra reported the search committee met two weeks ago, reviewed a draft of the profile/ad and made suggested changes. The board reviewed the final profile, which was just received from Waters & Company today (see attached) and will be posted this week. The profile includes a possible salary into the low \$90,000s. Board members voiced concern with the timeline and that the EDC may be without a director for a time. Kelly TerWisscha suggested the board may need to plan for a period of vacancy. Boonstra noted Sharon Klumpp of Waters & Company did not indicate the search will go past December and Harlan Madsen also seemed assured it would not go past December and no changes were made to the timeline. Renquist asked the board to honor his requested end date, however, indicated there may be some flexibility. Carlson recommended the status of the search be included in the budget working session with the Joint Powers Board.

NEW BUSINESS

[Jim Ruff joined the meeting.]

2014 audit. Jim Ruff provided background information on his accounting practice and history with the EDC and distributed copies of the final 2014 Annual Financial Report, Balance Sheet and Profit & Loss (see attached). Ruff noted there were some items paid for at year end, but the work was not performed until 2015 so those expenditures were removed from 2014 (i.e. \$8,400 prepaid for work on the EDC's new website). Ruff noted that he, as auditor, has requested the EDC's budget closer reflect accurate expenses as possible. Adjustments were made to the financials to change it from a cash to accrual basis. The accompanying letter dated August 27, 2015 from him indicates staff worked with the auditor and revealed all financial matters (see attached). The audit is a clean audit. Ruff highlighted the following items in the audit: page 8 as to capital assets, most assets are expensed over 5 years (i.e. computers), 7 years for furniture and 10 years for capital improvements and the auditor made adjustments to place the depreciation value on the Balance Sheet; page 9 shows a cash balance of \$629,862 with restrictions of \$160,366 for CDs and the Revolving Loan Fund; page 11 shows the outstanding loans. Ruff indicated that over time, the EDC would start to reserve for bad debt of loans that may be questionable of repayment and he understands there may be one loan that could be uncollectable. At the end of 2015, the EDC should start to consider the uncollectability of that loan. Renquist noted it is possible the Housing and Redevelopment Authority (HRA) note may be paid sooner than 2028 as the HRA may return its funds to the United States Department of Agriculture. Ruff noted the Entrepreneurs Loan Guaranty Program has a reserve of 50% of the 80% guarantee on the outstanding loans, which is strong. The Revolving Loan Fund is not normally reserved until a borrower indicates an inability to pay. Ruff does not recommend showing a reserve until a loan falls into default, however, there are reserves shown on page 3 that would cover any default. Ruff stated the true unreserved monies that the boards have

full discretion over using is shown on page 3, Undesignated of \$383,570 on a cash basis and \$436,887 on an accrual basis. The board has the power to restrict and unrestrict funds. Page 12 shows removal of old or obsolete inventory/equipment and leasehold improvements at the previous office showing a loss of approximately \$9,700. The current office lease is renewable for three years at the end of the initial five-year lease. Ruff noted the EDC has been very conservative on its budgeting and has consistently underspent its budget over the last five to six years. In 2014, \$50,000 from reserves was budgeted, but the actual amount used was approximately \$12,000. Ruff indicated a good share of the EDC's reserves was intentional as all nonprofit entities create a reserve for emergency purposes and unforeseen events. The original intent was to create a reserve of 50% of the budget and Ruff believes the EDC has reached its goal for the amount of reserves to have on hand. Page 4 shows the levy received is less than budgeted due to uncollected taxes; page 5 shows the budget against what actually took place—the loss on disposition of assets is the investment in the former location and the equipment removed from the inventory. Ruff indicated the quality of accounting was very good and recommends the board continue to tighten its budget to match anticipated actual expenditures. Ruff invited the board to call Jim if they have any questions on the audit.

[Jim Ruff, Bruce Peterson and Kelly TerWisscha were excused from the meeting.]

Inter-City Leadership Tour to Fargo. Connie Schmoll reported 23 were on the Fargo tour. The theme was that in order to grow your city and be successful, collaboration is necessary along with a positive attitude by the public and private sectors. Schmoll noted Kandiyohi County has a lot going on, but there is more that can be improved. Schmoll and Boonstra met with members of the Greater Fargo/Moorhead Economic Development Corporation and the Kilbourne Group. Boonstra is going back to Fargo and will try to also meet with Arthur Ventures, a venture capital company. The CEO of the Fargo-Moorhead Convention and Visitor's Bureau stated Fargo-Moorhead grew 20% in 10 years; Sanford Health is currently building a new hospital at a cost of a half a billion dollars; other positives for the cities include the Red River, the railroad, FargoDome and their universities. Their major challenge is workforce. The Greater Fargo/Moorhead Economic Development Corporation just completed a workforce study and developed action steps, which they are willing to share with the EDC and also just hosted a manufacturing day event involving 600 students. Schmoll will be obtaining information on their manufacturing day event as the EDC is in the planning stages for a similar event for next year. Boonstra was inspired to hear them talk about collaboration. Speakers included the vice president of the Greater Fargo/Moorhead Economic Development Corporation; the mayors of Fargo and Moorhead; Dr. Schatz, Superintendent of Fargo Public Schools and the president of the Fargo, Moorhead, West Fargo Chamber, all of whom spoke very respectfully on how they meet once a month to collaborate for all communities and how the communities can help their businesses. Dr. Schatz spoke on project-based education versus stand and deliver education. They want to give their teachers the ability to do new things in their classrooms. Boonstra also gave an overview of their 1 Million Cups program designed to educate, engage and connect entrepreneurs. During that program, they heard a presentation on an app designed for employee scheduling after which the audience could ask questions of the presenter. Overall, the trip was very inspiring and the group came away with very positive energy that they hope to continue with follow up meetings about what could be done in Kandiyohi County. Schmoll stated the Fargo group did similar visits to Lincoln, NE, Sioux Falls, SD and Detroit Lakes, MN.

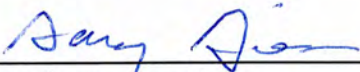
2015 budget amendments.

IT WAS MOVED BY Art Benson, SECONDED BY Rollie Boll to approve amending the 2015 budget to include income and expenses related to the Blandin Foundation WiFi Grant. MOTION CARRIED.

Other. Schmoll reported SWIF is co-hosting a Regional Workforce Summit October 28, 2015 at Southwest Minnesota State University in Marshall and she offered to assist Jim Sieben, who is on the planning committee, put a team together to attend.

NEXT MEETING—The next board meeting is **11:00 a.m., Thursday, November 12, 2015**, in the EDC's board room.

ADJOURNMENT—There being no further business, the meeting was adjourned at approximately 1:02 p.m.



Gary Gilman, Secretary

APPROVED: 11/12/2015



Robert Carlson, President

Kandiyohi County City of Willmar Economic Development Commission

Adopted by Joint Powers Board 7/24/2014

Joint Powers amended 10/23/2014, 1/22/2015 and 7/23/2015

Joint Operations Board amended 12/11/2014

Proposed budget changes 10/8/2015	2015 Budget	1/22/2015 Amended Budget	Proposed 2016
REVENUES			
County Tax Levy	\$ 455,000	\$ 455,000	\$ 477,750
Loans			
ELGP loan application fees	\$ 200	\$ 200	\$ 200
Revolving Loan Fund application fees	\$ 250	\$ 250	\$ 250
Revolving Loan Fund repayments interest	\$ 7,432	\$ 7,432	\$ 5,088
Insurance dividends	\$ 1,500	\$ 1,500	\$ 1,300
Interest on investments			
Citizens Alliance Bank 36-month CD \$100,000 at 1%	\$ 1,000	\$ 1,000	\$ -
Citizens Alliance Bank 36-month CD \$100,000 at 1.05% matures 9/20/2016	\$ 1,050	\$ 1,050	
Concorde Bank (Revolving Loan Fund savings account)	\$ 100	\$ 100	\$ 100
Heritage Bank savings account	\$ 200	\$ 200	\$ 120
North American State Bank 23-month CD \$100,000 at 1.15%	\$ 1,150	\$ 1,150	\$ -
US Bank CD (Tourism Development Account) at .690% matures 2/20/2018	\$ 225	\$ 225	
Blandin Foundation HackFest Grant No. G-2015-04910	\$ 10,000		
Blandin Foundation HackFest Grant matching contribution by WORK UP	\$ 600		
Blandin Foundation HackFest Grant matching contribution by EDC	\$ 4,400		
Blandin Foundation WiFi Grant No. G-2015-05319	\$ 17,680	0	
Blandin Foundation WiFi Grant matching contributions	\$ 11,300	0	
Other Income			
Reserve Fund	\$ 62,653	\$ 62,653	38173
Refunds and reimbursements	\$ 100	\$ 100	
Total Revenues	\$ 574,840	\$ 530,860	\$ 522,981
EXPENSES			
Economic Development Community Contributions			
Blandin Foundation HackFest grant partial match/technology	\$ 5,000	5000	
Blandin Foundation WiFi grant partial match	\$ 2,000		
Sponsor Fees			
Animal Science Conference	\$ 1,500	\$ 1,500	\$ 1,500
U of M Technology Showcase	\$ 2,000	\$ 2,000	\$ 2,000
Vision 2040	\$ 2,500	\$ 2,500	\$ 2,500
Other	\$ 1,500	\$ 1,500	\$ 1,500
Total Economic Development Community Contributions	\$ 14,500	\$ 12,500	\$ 7,500
Other Expenses:			
Joint Operations Board (includes meals/administrative time)	\$ 3,000	\$ 3,000	\$ 3,000
Joint Powers Board (includes meals/administrative time)	\$ 1,000	\$ 1,000	\$ 1,000
SCORE (cell phone and email account)	\$ 300	\$ 300	\$ 825
Other operating expenses	\$ 1,853	\$ 1,853	\$ 1,254
Total Other Expenses	\$ 6,153	\$ 6,153	\$ 6,079
Countywide Business Development			
Creating Entrepreneurial Opportunitites Program (2014-2016)	\$ 1,000	\$ 1,000	\$ 1,000
TIGER II Grant			\$ 35,000
Miscellaneous countywide business development	\$ 8,635	\$ 8,635	\$ 6,000
Total Countywide Business Development	\$ 9,635	\$ 9,635	\$ 42,000

Kandiyohi County City of Willmar Economic Development Commission

Adopted by Joint Powers Board 7/24/2014

Joint Powers amended 10/23/2014, 1/22/2015 and 7/23/2015

Joint Operations Board amended 12/11/2014

Proposed budget changes 10/8/2015	2015 Budget	1/22/2015 Amended Budget	Proposed 2016
COMMITTEE EXPENSES			
Agriculture and Renewable Energy Development			
Conferences/Seminars/Trainings	\$ 1,800		\$ 1,800
Marketing	\$ 200		\$ 200
Meals/Meeting Refreshments	\$ 350		\$ 350
Mileage/Travel	\$ 400		\$ 400
Professional Services			
General Administrative Services	\$ 2,500		\$ 2,500
Professional Services - Other	\$ 1,000		\$ 1,000
Supplies (office or program)	\$ 250		\$ 250
Total Ag Committee Expenses	\$ 6,500		\$ 6,500
Broadband and Advanced Technology	\$ 4,000		\$ 4,000
Conferences/Seminars/Trainings			
Marketing			
Meals/Meeting Refreshments			
Mileage/Travel			
Professional Services			
General Administrative Services			
Professional Services - Other			
Supplies (office or program)			
Website development grants			
Total Broadband and Advanced Technology Committee Expenses	\$ 4,000		\$ 4,000
Business Retention and Expansion/Recruitment			
Conferences/Seminars/Trainings	\$ 1,800		\$ 1,800
Marketing	\$ 500		\$ 500
Meals	\$ 500		\$ 500
Mileage/Travel	\$ 1,000		\$ 1,000
Professional services			
General administrative services	\$ 2,500		\$ 2,500
Professional services - Other	\$ 2,000		\$ 2,000
Supplies (office or program)	\$ 300		\$ 300
Total BRE/R Committee Expenses	\$ 8,600		\$ 8,600
Finance	\$ 2,000		\$ 2,000
Conferences/Seminars/Trainings			
Marketing			
Meals			
Professional services			
General administrative services			
Legal services			
Supplies (office or program)			
Total Finance Committee Expenses	\$ 2,000		\$ 2,000
Marketing and Public Relations			
Meals			
Media			
Memberships			
Printing, copying and publishing			
Professional services			
General administrative services			
REDstar Creative			
Professional services - other			
Special projects			

Kandiyohi County City of Willmar Economic Development Commission

Adopted by Joint Powers Board 7/24/2014

Joint Powers amended 10/23/2014, 1/22/2015 and 7/23/2015

Joint Operations Board amended 12/11/2014

	2015 Budget	1/22/2015 Amended Budget	Proposed 2016
Proposed budget changes 10/8/2015			
Total Marketing and Public Relations Committee Expenses	\$33,000		\$33,000
Tourism/Leisure Travel			
CVB Tourism Partnership Agreement	\$ 34,000		\$ 34,000
Total Tourism/Leisure Travel Committee	\$ 34,000		\$ 34,000
Total Committee Expense	\$ 88,100	\$ 88,100	\$ 88,100
EMPLOYEE COMPENSATION			
Executive Director			
Director's salary	\$ 81,488	\$ 81,488	\$ 85,562
Director's auto allowance (\$525 per month)	\$ 6,300	\$ 6,300	\$ 6,300
Director's health insurance (\$850 p/mo.)	\$ 10,200	\$ 10,200	\$ 10,200
Director's payroll taxes (FICA = 6.20%; Medicare = 1.45%)	\$ 6,234	\$ 6,234	\$ 8,670
Director's pension (PERA) employer rate is 7.5%	\$ 6,112	\$ 6,112	\$ 6,417
Total Executive Director's Compensation	\$ 110,334	\$ 110,334	\$ 117,149
Assistant Director			
Assistant Director's salary	\$ 52,054	\$ 67,304	\$ 70,669
Asst Director's health insurance	\$ 5,950	\$ 10,200	\$ 10,200
Asst Director's payroll taxes	\$ 5,149	\$ 5,149	\$ 5,406
Assistant Director's PERA	\$ 5,048	\$ 5,048	\$ 5,301
Total Assistant Director's Compensation	\$ 68,201	\$ 87,701	\$ 91,576
Business Development Specialist's position			
Business Development Specialist's salary	\$ 51,000	\$ 51,000	\$ 53,550
Business Development Specialist's health insurance	\$ 10,200	\$ 10,200	\$ 10,200
Business Development Specialist's payroll taxes	\$ 3,902	\$ 3,902	\$ 5,950
Business Development Specialist's PERA	\$ 3,825	\$ 3,825	\$ 4,016
Total Business Development Specialist's Compensation	\$ 68,927	\$ 68,927	\$ 73,716
Employee workers' compensation insurance	\$ 959	\$ 959	\$ 896
Total Employee Compensation	\$ 248,421	\$ 267,921	\$ 283,337
ADMINISTRATIVE EXPENSES			
MCIT property/casualty insurance	\$ 3,110	\$ 3,110	\$ 2,997
Meals not for a committee	\$ 2,000	\$ 2,000	\$ 2,500
Memberships, dues, subscriptions	\$ 3,500	\$ 3,500	\$ 11,000
Professional services:			
Accountant fees	\$ 1,000	\$ 1,000	\$ 1,000
Auditor	\$ 7,500	\$ 7,500	\$ 7,000
Bookkeeping fees	\$ 5,557	\$ 5,557	\$ 6,000
Executive Director search firm	\$ 19,500		
Legal fees	\$ 1,000	\$ 2,000	\$ 2,000
Seminars and promotions	\$ 3,000	\$ 3,000	\$ 2,000
Travel, conference, school	\$ 8,600	\$ 8,600	\$ 10,500
Total Administrative Expenses	\$ 54,767	\$ 36,267	\$ 44,997
OFFICE EXPENSES			
Cleaning person	\$ 2,600	\$ 2,600	\$ 2,600
Equipment maintenance and rental			
Software (Synchronist annual fee \$1,200)	\$ 2,000	\$ 2,000	\$ 2,000
Toshiba service contract (\$1,468.92)	\$ 1,470	\$ 1,470	\$ 1,500
Equipment maintenance and rental - other	\$ 2,000	\$ 2,000	\$ 2,250
Furniture and equipment	\$ 2,000	\$ 2,000	\$ 8,600
Office equipment and miscellaneous	\$ 3,000	\$ 3,000	\$ 3,000
Postage, mailing service	\$ 500	\$ 1,500	\$ 500
Printing, copying and publishing	\$ 2,500	\$ 2,500	\$ 2,500

Kandiyohi County City of Willmar Economic Development Commission

Adopted by Joint Powers Board 7/24/2014

Joint Powers amended 10/23/2014, 1/22/2015 and 7/23/2015

Joint Operations Board amended 12/11/2014

		1/22/2015 Amended Budget	Proposed 2016
Proposed budget changes 10/8/2015	2015 Budget		
Professional services:			
General administrative	\$ 56,650	\$ 56,650	\$ 57,800
Planning session facilitator	\$ 1,500	\$ 1,500	\$ 1,500
Website hosting service	\$ 450	\$ 450	\$ 450
Rent and storage unit	\$ 22,600	\$ 22,600	\$ 22,200
Rent (water cooler, post office box)	\$ 300	\$ 300	\$ 200
Supplies	\$ 4,000	\$ 4,000	\$ 4,000
Telephone/Telecommunications	\$ 7,714	\$ 7,714	\$ 7,000
Total Office Expenses	\$ 109,284	\$ 110,284	\$ 116,100
BLANDIN WIFI GRANT EXPENSES			
Willmar Civic Center	\$ 14,000		
Routers (7 @ \$ approximately \$700 each)	\$ 4,900		
Data service for three years (7 x \$480 x 3)	\$ 10,080		
Total WiFi Expenses	\$ 28,980		
BLANDIN HACKFEST GRANT EXPENSES			
Application development	\$ 5,400		
IT	\$ 500		
Marketing	\$ 1,500		
Meals and refreshments	\$ 3,000		
Meeting space	\$ 1,200		
Transportation	\$ 400		
Post hackfest events	\$ 3,000		
Total HackFest Expenses	\$ 15,000		
TOTAL PROGRAM EXPENSES	\$ 574,840	\$ 530,860	\$ 588,113

Kandiyohi
County
and the
City of
Willmar,
Minnesota,
EDC seeks a
forward-
looking catalyst
with strong
communication,
convening and
collaboration
skills to serve
as its ...



Executive Director

THE COMMUNITY

Kandiyohi County and the Willmar Lakes area is a vital, growing regional center in West Central Minnesota. [Kandiyohi County](#) has surpassed a population of 42,000; [Willmar](#) is the fastest growing, non-metropolitan city in the state.

Local Economy. Kandiyohi County's local economy ranges from major companies with a global presence to new business start-ups. In 2014 there were 1,346 business establishments in Kandiyohi County employing 22,825 people with the greatest number of establishments being 224 in retail trade, 180 in construction, 153 in education and health services, and 95 in leisure and hospitality. The county is home to 12 municipalities; the largest is Willmar with a population of 19,680, which also serves as the county seat.

Willmar is centrally located at the intersection of U.S. Highways 12 and 71 with connections to St. Cloud via Minnesota 23. Railroads have dominated Willmar's history and continue to provide an important economic connection for Willmar's farm and non-farm products through the Burlington Northern Santa Fe Railway. The Willmar Municipal Airport, newly constructed in 2006, has a 5,500-foot runway with future plans to extend the runway to 6,500 feet and an all-weather instrument navigation system; it services a variety of aircraft from large business jets to single-engine airplanes.

Willmar functions as a regional center for retail trade, medical care, education, and small manufacturing. Agriculture, the region's leading industry, accounts for the city's largest employer, Jennie-O Turkey Store, owned by Hormel. The MinnWest Technology Campus, formerly the Willmar Regional Treatment Center, is now home to a vibrant and ever expanding technology park serving the needs of innovators in bioscience, renewable

energy, and technology. Willmar is well-positioned for continued growth with the establishment of a 200 acre city-owned, shovel-ready industrial park. Rail access to the industrial park is anticipated; efforts to obtain a \$15 million TIGER grant to construct a spur to the industrial park in 2017 are under way.



THE COMMUNITY CONT'D

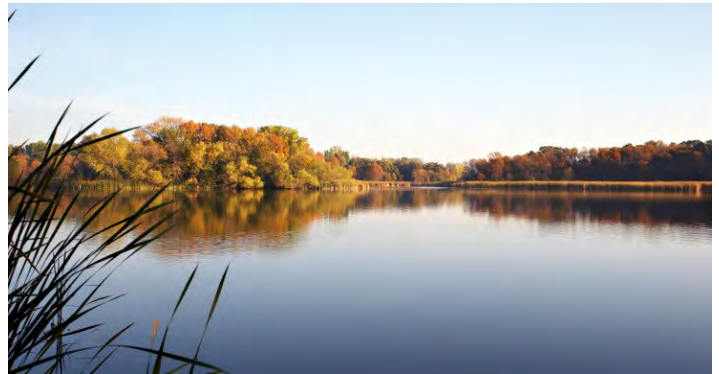
Education. Post-secondary education programs are provided by [Ridgewater College](#), which offers two-year associate degree programs and comprehensive general education that is transferable to four-year colleges and universities. Through its campuses in Willmar and Hutchinson, Ridgewater College serves more than 5,500 students offering over 100 educational programs. The college has been named by the Aspen Institute as one of the top 120 community colleges in the country, ranking it in the top ten percent.

The [University of Minnesota Mid-Central Research and Outreach Center \(MCROC\)](#) is a partner and anchor for the MinnWest Technology Campus. A regional hub for research, education, and engagement, MCROC advances public-private research collaborations and problem-solving partnerships strengthening the regional economy and promotes innovation, economic growth, and workforce development, particularly in bioscience, biotechnology, agribusiness, and renewable energy.

Healthcare. As the hub for healthcare services in western and southwestern Minnesota, Willmar residents have immediate access to highly-skilled physicians and medical technicians providing a continuum of patient care. Anchored by the city-owned [Rice Memorial Hospital](#), many specialized healthcare services are available. The hospital's partnership with the University of Minnesota has led to its designation as the host site for the Southern Minnesota Area Health

Education Center, which provides health care to students in a 26-county area. Health care services are also provided by [Affiliated Community Medical Center \(ACMC\)](#), the area's largest multi-specialty healthcare network and the [Family Practice Medical Center](#).

Tourism. Kandiyohi County takes pride in being "where the lakes begin." The Willmar Lakes Area attracts tourists and vacationers who come to enjoy the recreation lakes, attesting to the popularity of fishing and other water sports. Golfing is available at the area's one 27-hole, two 18-hole and two 9-hole courses. The area boasts over 41 city, county, and state parks, many with trail systems for hiking, biking, and horseback riding. In winter, over 200 miles of groomed trails are available for snowmobiling and cross-country skiing while Sibley State Park and the Prairie Woods Environmental Learning Center are favorite spots for snowshoeing.



ORGANIZATION

The [Economic Development Commission \(EDC\)](#) offices are located in Willmar. This structure for economic development was adopted in July 2003 through a Joint Powers Agreement between Kandiyohi County and the City of Willmar. The EDC's Joint Powers Board of Commissioners consists of six members; Kandiyohi County and the City of Willmar each appoint three elected representatives to serve for three-year terms. EDC operations are led by a seven-member Joint Operations Board; members are appointed by the Joint Powers Board and include representatives from communities throughout the county, education providers, businesses, and consumer groups. Joint Operations Board member terms are for three years; members are limited to three full three-year terms.

The EDC has many community volunteers who participate in one or more of its committees. Committees include: Agriculture and Renewable Energy Development, Broadband and Advanced Technology, Business Retention and Expansion/Recruitment, Finance, and Marketing and Public Relations.

The EDC's mission is to be a catalyst for economic growth of the greater Kandiyohi County Area.

The EDC's 2015 strategic priorities are:

- Develop, invest in and support programs and activities that increase business development, particularly agriculture-based businesses;
- Increase business retention and expansion;
- Provide leadership for industrial park development;
- Enhance marketing to prospective businesses, residents, investors, and site selectors; and
- Work with service providers to enhance broadband infrastructure, access and utilization in the county.

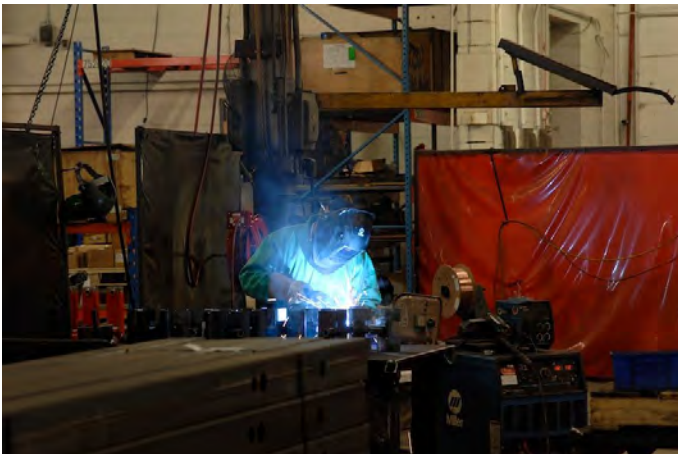
The EDC staff includes an Executive Director, Assistant Director and a Business Development Specialist; administrative services are contracted. The 2015 EDC budget is \$543,871. Revenues for the EDC come from a special economic development property tax levied by Kandiyohi County and the City of Willmar.

POSITION PROFILE

The EDC's Executive Director takes a leadership and coordinating role among area local governments, business development groups and others to collaborate and support the retention and expansion of existing businesses and the recruitment of new businesses to Kandiyohi County. The position is responsible for leading retention, expansion and location of businesses in Kandiyohi County.

Major responsibilities include:

- Act as a "one-stop shop" for information on all aspects of economic development, including financing, tax policies, business counseling and general information on community facilities and amenities.
- Work actively and in concert with others to retain and facilitate the expansion of current businesses.



- Actively recruit targeted industries in cooperation with other groups, with a focus on recruiting industries that compliment Kandiyohi County's economic base.
- Support decision-making by the Joint Powers Board and the Joint Operations Board with information, reports, and recommendations.
- Make presentations to business groups, public-private partnerships, educators and the general public on economic development accomplishments and initiatives.
- Build upon and enhance a "business-friendly environment" within Kandiyohi County and its municipalities.
- Develop and implement financial packages to retain, expand, recruit and /or relocate businesses.
- Oversee the daily operations of the EDC; coordinate and implement the annual work plan; and prepare and administer the annual budget.
- Recruit and hire EDC staff, provide work direction and performance feedback, and when necessary, take disciplinary action.
- Encourage and promote professional development and build the capacity of EDC staff.
- Network with local, regional, state, and federal partners that provide technical and/or fiscal support to the EDC's economic development efforts.

DESIRED PROFESSIONAL CAPABILITIES

- Outgoing and engaging; a dynamic leader with a genuine passion for building the area's economic development capacity.
- Forward-looking and proactive, open to new ideas and change.
- Provides the leadership to create a compelling vision for the future and the energy to accomplish the vision.
- Strong presentation skills; effectively communicates to a wide range of audiences.
- Inspires confidence in the business community; is regarded as the "go-to" person.
- Builds effective relationships within the local and regional business communities and with government officials.
- Highly collaborative, readily shares information and listens to ideas.
- Skilled in navigating the political environment without being political or promoting personal political views.
- Brings a well-developed network of business and development contacts.
- Builds and participates in effective work teams; delegates appropriately.
- Comfortable with diversity; recognizes and ensures that cultural differences contribute to the common vision.
- Adept at handling different points of view, building consensus, and negotiating compromise.
- Advocates for economic development projects, understanding that some projects may become contentious.
- Demonstrates familiarity with development financing tools and incentives.

LEADERSHIP OPPORTUNITIES

Building relationships. The Executive Director will make it a priority to get to know the community and meeting with business owners, educators, government leaders, and others to learn about the area's economic development accomplishments, needs and long-term goals. The Executive Director will cultivate these relationships to stay in touch with the pulse of the community and to foster support for economic development initiatives.

Focus on BRE. Retaining existing businesses and helping them expand is a major focus of the EDC. The EDC and the Willmar Lakes Area Chamber of Commerce conducted a survey of businesses earlier this year to identify needs and concerns. Consistent speed, quality and access to broadband, workforce development and housing, and anticipated regulatory changes in health care were among the concerns identified. The Executive Director will develop strategies to meet regularly with business owners to understand and address retention and expansion issues and opportunities.

Connect with DEED. The Minnesota Department of Employment and Economic Development (DEED) is an important conduit to a variety of economic development resources. The Executive Director will get to know DEED and become familiar with data and resources to support the EDC's strategic plan.

Challenge the board. Hiring an Executive Director will bring new ideas and fresh perspectives to the EDC. The Executive Director will develop strong working relationships with the Joint Powers Board and with the Joint Operations Board and will challenge conventional thinking with new ideas and opportunities.



EDC staffing. The Assistant Director position is currently vacant, giving the Executive Director the ability to consider overall staffing capabilities and needs and to configure and recruit the position accordingly.

Next generation engagement. The Executive Director will reach out to and engage next generation entrepreneurs to ensure their involvement and support in economic development initiatives. In addition, the Executive Director will work with secondary and post-secondary institutions to keep them informed of current and future employment skills and opportunities.



EDUCATION & EXPERIENCE



Bachelor's degree in business or public administration, economics, finance or a field related to commercial-industrial development and three or more years of public and/or private work-related experience in economic development. Certified Economic Developer preferred. Equivalent education and experience will be considered.

Must have knowledge of business recruitment and expansion and demonstrated ability to recruit new business developments and develop financing incentives. Knowledge of development processes and experience working with a wide range of business groups and local, regional, and state officials required.

COMPENSATION & BENEFITS

Salary up to low \$90,000s, depending upon experience and qualifications. Benefit plan available, including retirement benefits through PERA.

APPLICATION AND SELECTION PROCESS

Qualified candidates submit your cover letter and resume online by visiting our website at <https://waters-company.recruitmenthome.com/>. This position is open until filled; however, interested applicants are strongly encouraged to apply no later than November 6, 2015. For more information please contact Sharon Klumpp at sklumpp@waters-company.com or by calling 651.223.3053 (office) or 651.270.6856 (mobile).

EDC of Kandiyohi County and the City of Willmar is an Equal Opportunity Employer.



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

ANNUAL FINANCIAL REPORT

December 31, 2014

**JAMES M. RUFF, INC.
Certified Public Accountant and Consultants
Willmar, Minnesota**

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

ANNUAL FINANCIAL REPORT

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

BOARD OF DIRECTORS

December 31, 2014

	<u>Name</u>	<u>Term Expires</u>	<u>Representing</u>
Board of Directors - Joint Powers Board			
Chair	Denis Anderson	12/31/14	City of Willmar
Vice Chair & EDCOB Liaison	James Butterfield	12/31/14	Kandiyohi Co.
Secretary	Steve Ahmann	12/31/14	City of Willmar
Treasurer	Dean Shuck	12/31/14	Kandiyohi Co.
Board Members:	Ron Christianson	12/31/14	City of Willmar
	Harlan Madsen	12/31/14	Kandiyohi Co.

Board of Directors - Operations Board

Voting

President	Beverly Dougherty	12/31/14
Vice President	Robert P. Carlson	12/31/15
Secretary	Gary Gilman	12/31/17
Treasurer	Rollie Boll	12/31/15
Board Member	Linda Kacher	12/31/16
Board Member	Art Benson	12/31/15
Board Member	Donna Boonstra	12/31/16

Non-voting (Ex-Officio)

Board Member	Bruce Peterson	Annually
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Staff

Executive Director	Steven C. Renquist
Assistant Director	Jean Spaulding
Business Development	Connie Schmoll



**JAMES M.
RUFF, INC.**

CERTIFIED PUBLIC ACCOUNTANT & CONSULTANTS

JAMES M. RUFF, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Kandiyohi County and City of Willmar Economic Development Commission (EDC) as of and for the year ended December 31, 2014, which collectively comprise the EDC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the EDC's management. 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2015 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Kandiyohi County and City of Willmar Economic Development Commission has omitted a Management's Discussion and Analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statements. Such information, although not part of the basic financial statements, is considered by GASB to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our report on the basic financial statements is not affected by this missing information.

James M. Ruff, Inc.

JAMES M. RUFF, INC.
August 25, 2015

Accounting & Auditing ♦ Tax Planning & Preparation ♦ Retirement, Financial, & Estate Planning ♦
Estates & Trusts ♦ QuickBooks ♦ Payroll & Employee Benefits ♦ Agribusiness & Farm ♦ Business Consulting ♦

P.O. Box 1056 ♦ 2015 1st Street S. ♦ Willmar, Minnesota 56201 ♦ Phone: (320) 235-1002 ♦
Fax: (320) 235-3809 ♦ Email: ruffcpas@en-tel.net ♦

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

**GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET ASSETS
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL**

December 31, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
ASSETS			
Cash	\$ 306,009	\$ -	\$ 306,009
Certificates of deposit	323,853	-	323,853
Taxes receivable	14,889	-	14,889
Prepaid expenses	8,400	-	8,400
Rent deposits	3,600	-	3,600
Loans receivable, net of \$0 allowance	107,492	-	107,492
Capital assets, net of depreciation	-	15,328	15,328
Total Assets	<u>\$ 764,243</u>	<u>\$ 15,328</u>	<u>\$ 779,571</u>
LIABILITIES			
Accounts payable	\$ 1,380	\$ -	\$ 1,380
Vacation and sick leave benefits payable	34,765	-	34,765
PERA and payroll taxes payable	8,464	-	8,464
Deferred revenue	-	14,889	14,889
Total Liabilities	<u>44,609</u>	<u>14,889</u>	<u>59,498</u>
FUND BALANCE			
Reserved for			
Revolving loan fund - County (\$81,742 loans outstanding)	224,052	(224,052)	
Loan receivable - HRA of Willmar	25,750	(25,750)	
Tourism development	18,056	(18,056)	
	<u>267,858</u>	<u>(267,858)</u>	
Unreserved - Designated			
Entrepreneur's loan fund guarantees (50% reserve)	68,206	(68,206)	
Undesignated	383,570	(383,570)	
Total Fund Balance	<u>719,634</u>	<u>(719,634)</u>	
Total Liabilities and Fund Balance	<u>\$ 764,243</u>		
NET ASSETS			
Invested in capital assets		15,328	15,328
Restricted for economic development		267,858	267,858
Unrestricted		436,887	436,887
Total Net Assets		<u>720,073</u>	<u>720,073</u>
Total Liabilities and Net Assets		<u>\$ 15,328</u>	<u>\$ 779,571</u>

The adjustments to convert from modified to full accrual include the addition of capital assets and reporting earned but deferred revenue.

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

**GENERAL 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, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
REVENUES			
Taxes	\$ 452,214	\$ (2,352)	\$ 454,566
Interest on investments and loans	7,553	-	7,553
Charges for services	1,297	-	1,297
Grants and miscellaneous	-	-	-
Refunds and reimbursements	1,318	-	1,318
Total Revenues	<u>462,382</u>	<u>(2,352)</u>	<u>464,734</u>
EXPENDITURES			
Administration and special projects	394,887	-	394,887
Committees	27,055	-	27,055
Loss on disposition of assets	-	9,559	9,559
Capital outlays	13,195	(13,195)	-
Depreciation	-	3,547	3,547
Grants and donations	47,730	-	47,730
Total Expenditures / Expenses	<u>482,867</u>	<u>(89)</u>	<u>482,778</u>
Net Change in Fund Balance / Net Assets	(20,485)	(2,441)	(18,044)
Fund Balance / Net Assets, Beginning	<u>740,119</u>	<u>2,002</u>	<u>738,117</u>
Fund Balance / Net Assets, Ending	<u><u>\$ 719,634</u></u>	<u><u>\$ (439)</u></u>	<u><u>\$ 720,073</u></u>

Adjustments to convert modified accrual to full accrual basis of accounting:

In the fund, under the modified accrual basis, receivables not available for expenditures are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment is the increase (decrease) in revenues deferred as unavailable.

\$ (2,352)

The fund does not report depreciation expense as an expenditure, but expenses capital outlays as incurred.

3,547

The fund reports capital outlays as an expenditure. In the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense.

(13,195)

The fund does not record loss on disposition of capital assets since these outlays are expensed when acquired. In the statement of activities, the undepreciated cost of capital assets, net of sale proceeds, are reported as a gain or loss.

9,559

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

\$ (2,441)

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

**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGETARY COMPARISON**

For The Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Budget
REVENUES				
Taxes	\$ 455,000	\$ 455,000	\$ 454,566	\$ (434)
Interest on investments and loans	6,125	6,125	7,553	1,428
Charges for services	400	400	1,297	897
Grants and miscellaneous	-	-	-	-
Refunds and reimbursements	3,600	3,600	1,318	(2,282)
Total Revenues	<u>465,125</u>	<u>465,125</u>	<u>464,734</u>	<u>(391)</u>
EXPENDITURES / EXPENSES				
Administration	416,042	404,042	394,887	9,155
Committees and special projects	44,165	44,165	27,055	17,110
Loss on disposition of assets	-	-	9,559	(9,559)
Depreciation	-	-	3,547	(3,547)
Grants and donations	67,500	67,500	47,730	19,770
Total Expenditures / Expenses	<u>527,707</u>	<u>515,707</u>	<u>482,778</u>	<u>32,929</u>
Net Change in Fund Balance / Net Assets	(62,582)	(50,582)	(18,044)	32,538
Fund Balance / Net Assets, Beginning	<u>738,117</u>	<u>738,117</u>	<u>738,117</u>	<u>-</u>
Fund Balance / Net Assets, Ending	<u><u>\$ 675,535</u></u>	<u><u>\$ 687,535</u></u>	<u><u>\$ 720,073</u></u>	<u><u>\$ 32,538</u></u>

KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the Kandiyohi County and City of Willmar Economic Development Commission (EDC) conform to generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Kandiyohi County and City of Willmar EDC are discussed below.

A. Financial Reporting Entity

The Kandiyohi County and City of Willmar EDC was established by resolution on July 1, 2003, by a joint-powers agreement between Kandiyohi County and the City of Willmar pursuant to Minn. Laws 2003, ch. 127, art.12, § 30, subd.1. The Kandiyohi County and City of Willmar 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 EDC 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 Kandiyohi County and City of Willmar EDC elects a chair, vice-chair, secretary, and a treasurer from its members. These officers serve a one-year term of office.

Property taxes represent a substantial portion of the Kandiyohi County and City of Willmar EDC's revenue. The Kandiyohi County and City of Willmar 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 EDC is a separate entity independent of the city and the county which formed it. In accordance with generally accepted accounting principles, the Kandiyohi County and City of Willmar 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 EDC.

Effective January 1, 2008, Kandiyohi County acted as the fiscal agent and reported the activity of the Kandiyohi County and City of Willmar EDC independently of the County's other funds and operations. The County ceased to act as fiscal agent of the EDC during August 2012 with the functions of accounting and payroll contracted to an outside independent service provider.

KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements

The financial statements combine fund level financial statements (General Fund column) and government-wide financial statements (Governmental Activities column). These statements include the financial activities of the Kandiyohi County and City of Willmar EDC overall.

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

The Kandiyohi County and City of Willmar EDC reports one governmental fund. The General Fund is the Kandiyohi County and City of Willmar EDC's primary operating fund. It accounts for all financial resources of Kandiyohi County and City of Willmar EDC.

C. Measurement Focus and Basis of Accounting

The governmental activities columns 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund columns (General Fund) 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 if collected within 60 days after the end of the current period. Interest is considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. When both restricted and unrestricted resources are available for use, it is the Kandiyohi County and City of Willmar EDC's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Reconciliation of Government-Wide and Fund Financial Statements

The financial statements include an adjustment column to reconcile the General Fund to the governmental activities. The details of the adjustments are:

Balance Sheet to Statement of Net Assets

Amounts reported for governmental activities are different from those reported in General Fund because capital assets, net of depreciation, of \$15,328, and deferred revenue of \$14,889 are not considered financial resources and, therefore, are not reported in the General Fund.

Statement of Activities

Amounts reported for governmental activities in the Statement of Activities differ from the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance because of the differences in reporting capital assets and unavailable revenues.

KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Statements of Activities (continued)

General Fund reports capital asset purchases as expenditures while governmental activities reports depreciation expense, which allocates the cost of capital assets over their estimated useful lives. The difference, if any, is reported as an adjustment to expenditures.

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the General Fund. An increase in revenues of \$2,352 is shown for the decrease in the long-term tax levy receivable.

E. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Kandiyohi County and City of Willmar EDC's deposits and investments include demand deposits, savings, and certificates of deposit.

Capital Assets

Capital assets, which consist of equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Kandiyohi County and City of Willmar 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized.

Equipment of the Kandiyohi County and City of Willmar EDC is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery, furniture, and equipment	5 to 7
Leasehold improvements	10

Deferred Revenue

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

Fund Equity

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

KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

F. Budget

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 B: DETAILED NOTES ON ALL FUNDS

Assets

1. Cash and Investments

The EDC's cash and investments as of December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Restricted:		
Cash on Deposit	\$ 142,310	\$ 159,345
Investments, certificates of deposit	18,056	18,125
	<u>160,366</u>	<u>177,470</u>
Unrestricted: (Designated and Undesignated)		
Cash on Deposit	469,496	495,581
	<u>\$ 629,862</u>	<u>\$ 673,051</u>

Deposits - Cash

In accordance with Minnesota statutes, the EDC is authorized to designate a depository for public funds and to invest in certificates of deposits. The Minnesota statutes require 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 bills issued by U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At December 31, 2014, the EDC's deposits had a carrying amount of \$629,862 and bank balances of \$660,575. Of the bank balances, \$660,575 was covered by federal depository insurance and no deposits were required to be collateralized by standby letters of credit.

Investments

Minnesota statutes 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 Minnesota Statute.

KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE B: DETAILED NOTES ON ALL FUNDS (Continued)

Assets (continued)

1. Cash and Investments (continued)

Investments (continued)

2. Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments.
3. General obligations of the State of Minnesota and its municipalities, and certain state agencies 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 the 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.
6. Repurchase agreements, securities lending agreements, joint powers in investment trusts and guaranteed investment contracts, with certain restrictions.

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.

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.

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 that are in the possession of an outside party.

Concentration of Credit Risk

As of and during the year ended, December 31, 2014 the EDC was not subject to custodial credit risk due to cash and certificates of deposits held in excess of federal depository insurance limits and related collateral pledged.

**KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

NOTE B: DETAILED NOTES ON ALL FUNDS (Continued)

Assets (continued)

2. Taxes Receivable

Taxes receivable consist of uncollected taxes payable by property owners. On the Kandiyohi County and City of Willmar EDC's governmental fund balance sheet, taxes receivable are offset by deferred 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. Property taxes are collected by Kandiyohi County and distributed to the Kandiyohi County and City of Willmar EDC three times a year.

Kandiyohi County collected \$7,431 and \$12,537 from taxpayers for tax years December 31, 2014 and 2013 respectively, related to the Kandiyohi County and City of Willmar EDC's tax levy, which was not remitted to the Kandiyohi County and City of Willmar EDC until 2015 and 2014, respectively.

3. Accounts Receivable - Accrued Interest

Interest earned on Certificates of Deposit and loans receivable but not collected until the following year.

4. Loans Receivable

HRA of Willmar

The loan receivable from the HRA of Willmar is a term note dated June 1, 1998 for \$25,750. The note has no stated interest rate, is unsecured, \$ 25,750 non-guaranteed, and is due in full on June 1, 2028.

Revolving Loan Fund

Various Term notes in the initial amounts of \$25,000 to \$37,500 each (\$112,500 total), dated December 2011, December 2013, and March 81,742 2014, requiring 60 monthly payments of \$474.65 to \$711.97 including interest at 5.25%. Matures December 2016 through March 2019.

Term note received as transfer from predecessor Economic Development Partnership in the amount of \$11,961 requiring monthly payments of \$497.98 including interest at 7.25%. Matures December 2014.

TOTAL LOANS RECEIVABLE	<u>\$ 107,492</u>
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**KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

NOTE B: DETAILED NOTES ON ALL FUNDS (Continued)

Assets (continued)

5. Capital Assets

Capital assets activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated				
Leasehold improvements, furniture, and equipment	\$ 62,028	\$ 13,396	\$ (38,082)	\$ 37,342
Less: accumulated depreciation for				
Leasehold improvements, furniture, and equipment	(46,790)	(3,547)	28,323	(22,014)
Total Capital Assets, Net	<u>\$ 15,238</u>	<u>\$ 9,849</u>	<u>\$ (9,759)</u>	<u>\$ 15,328</u>

Depreciation expense of \$3,547 was charged to the Kandiyohi County and City of Willmar EDC's economic development function.

Liabilities

1. Operating Lease

Effective December 2014, the EDC relocated to new facilities with \$1,800 payable monthly for 60 months, maturing December 2019. 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>
2015	\$ 21,600
2016	21,600
2017	21,600
2018	21,600
2019	19,800

2. Risk Management

The Kandiyohi County and City of Willmar EDC is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Kandiyohi County and City of Willmar EDC is a member of the Minnesota Counties Insurance Trust. The Kandiyohi County and City of Willmar EDC retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

There were no significant reductions in insurance from the prior year. There was a \$1,318 and \$2,168 refund for 2014 and 2013 premiums in excess of insurance coverage for past fiscal years.

KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE B: DETAILED NOTES ON ALL FUNDS (Continued)

Liabilities (continued)

3. Pension Plans

All full-time and certain part-time employees of the Commission are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund (LGCSRF) which are cost-sharing, multiple employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

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

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for PERF members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A normal annuity is a lifetime annuity that ceases upon death of the retiree -- no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

**KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

NOTE B: DETAILED NOTES ON ALL FUNDS (Continued)

Liabilities (continued)

3. Pension Plans (continued)

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained by writing to PERA, 60 Empire Drive, Suite 200, St. Paul, MN 55103-2088 or by calling 651-296-7460 or 800-652-9026.

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established by the State Legislature. The Kandiyohi County and City of Willmar EDC makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.0 percent, respectively, of their annual covered salary. The Kandiyohi County and City of Willmar EDC is required to contribute the following percentages of annual covered payroll:

Public Employees Retirement Fund	
Basic Plan Members	11.78 %
Coordinated Plan Members	7.25 %

The Kandiyohi County and City of Willmar EDC's contributions for the years ended December 31, 2014 and 2013 were \$13,374 and \$12,316 respectively.

4. Contingent Liabilities

The Kandiyohi County and City of Willmar EDC has entered into seven loan guarantee agreements in relation to its Partial Loan Guarantee Program. Under the terms of the agreement, the EDC has guaranteed 80% of these \$25,000 (\$50,000 for 2013 and following years) loans to private businesses. Total outstanding loans under this loan program are \$170,516 at December 31, 2014 with the EDC establishing a reserve of 50% of the guarantee amount, or \$68,206.

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.

6. Future Commitments

The EDC approved during 2012 a three-year partnership agreement for \$34,000 annually to fund the Willmar Lakes Area Convention and Visitors Bureau for tourism-related services.

NOTE C: EVALUATION OF SUBSEQUENT EVENTS

The Kandiyohi County and City of Willmar EDC has evaluated subsequent events through August 25, 2015, the date the financial statements were available to be issued.



JAMES M. RUFF, INC.

CERTIFIED PUBLIC ACCOUNTANT & CONSULTANTS

JAMES M. RUFF, CPA

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*

Joint Powers Board and Operations Board
Kandiyohi County and City of Willmar
Economic Development Commission

We have audited the financial statements of Kandiyohi County and City of Willmar Economic Development Commission as of and for the year ended December 31, 2014, and have issued our report thereon dated August 25, 2015.

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 Comptroller General of the United States and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kandiyohi County and City of Willmar Economic Development Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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 a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting which are not considered material weaknesses. A *significant deficiency* is a deficiency, or a 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.

Compliance and Other Matters

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

Minnesota Legal Compliance

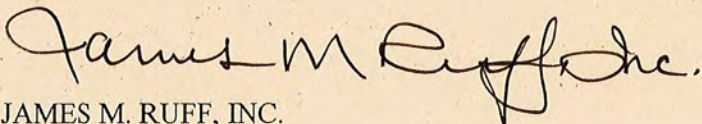
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included tests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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did no tests of compliance in: 1) contracting and bidding because the EDC did not enter into any contract or make any purchases requiring bids; 2) public indebtedness, because the EDC had no bonded debt transactions; and 3) tax increment financing.

The results of our tests indicate that, for the items tested, Kandiyohi County and City of Willmar Economic Development Commission complied with the material terms and conditions of the applicable legal provisions.

Kandiyohi County and City of Willmar Economic Development Commission's written responses to the significant deficiencies, material weaknesses and legal compliance findings identified in our audit have not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the use of management and State Agencies, and is not intended to be and should not be used by anyone other than these specified parties.



JAMES M. RUFF, INC.

August 25, 2015

**KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES**

YEAR ENDED DECEMBER 31, 2014

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

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 misstatements of the financial statements on a timely basis. A control deficiency that typically is considered significant is the identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal control.

Finding 2014-1, 2013-1 and 2012-1

Condition:

Non-budgeted expenses, commitments, and recurring revenues - for 2014 and prior budget years the EDC has not budgeted for all significant anticipated revenues and expenses.

Questioned Costs:

None

Context:

Budgeted revenues did not include the receipt of anticipated grants, interest income, and program income. Budgeted expenses failed to include all expected grant disbursements. Total revenues and expenses from actual to budget are misrepresented.

Effect:

Budgeted revenues and expenses are understated as compared to anticipated actual revenues and expenses.

Cause:

Budgeted revenues and expenses include basic operations only.

Recommendation:

We recommend that staff spend additional efforts in ensuring budgeted information is as complete and accurate as possible.

CORRECTIVE ACTION PLAN (CAP)

Finding 2014-1, 2013-1 and 2012-1

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

During 2015 the budget will be revised to ensure completeness.

Officer Responsible for Ensuring CAP:

Executive Director, Assistant Director, Treasurer, and fiscal host.

Planned Completion Date:

Monthly during 2015.

Plan to Monitor Completion of CAP:

Responsible officers to report to JOINT BOARD.

**KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES**

YEAR ENDED DECEMBER 31, 2014

**I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Finding 2014-2, 2013-2 and 2012-2

Condition:

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

Questioned Costs:

None

Context:

During 2014, 2013, 2012, and prior years, certain expenditures (e.g. accrued sick and vacation for 2014) were posted directly to fund balance or reserve accounts. During 2014, 2013, and 2012, certain receipts or transfers from Kandiyohi County were not reported as revenues in the statement of activities.

Effect:

The commission had numerous unrecorded transactions or untimely accounting adjustments that caused the interim and year end financial statements to be materially misstated.

Cause:

Lack of communication between fiscal host and management. Misinterpretation of generally accepted accounting policies.

Recommendation:

We recommend that the Commission insure the completeness of records and supporting documentation for the new fiscal host and that accounting adjustments be made on a regular and recurring basis. All revenues and expenditures should be posted to the statement of activities.

CORRECTIVE ACTION PLAN (CAP)

Finding 2014-2, 2013-2 and 2012-2

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The Commission will transfer all records and accounting to the Kandiyohi County Finance Department or its successors (Legal and Administrative Assistants) to assume fiscal host responsibilities. Monthly balance sheets will be reviewed by the Joint Operations Board. All revenues and expenditures will be posted directly to the Statement of Activities. During 2012 an outside independent contractor was hired to act as fiscal host (LAA). Auditor will work with new fiscal host to ensure completeness and accuracy of year end statements for 2015 and future years.

**KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES**

YEAR ENDED DECEMBER 31, 2014

**I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Finding 2014-2, 2013-2 and 2012-2, 2011-2 and 2010-2 (continued)

Officer Responsible for Ensuring CAP:

Executive Director, Assistant Director, Treasurer, and fiscal host.

Planned Completion Date:

Monthly during 2015 and 2014.

Plan to Monitor Completion of CAP:

Balance Sheets and the Statement of Activities will be monitored monthly by the Executive Director, Treasurer, and fiscal host to encourage adjustments during the year to fully conform to fund accounting.

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

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2000-2 -- Internal Control/Segregation of Duties

Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system. The size of the Kandiyohi County and City of Willmar Economic Development Commission and its staffing, limits the internal control that management can design and implement into the EDC. Management should be aware that segregation of duties is not adequate from an internal control point of view.

Management is responsible for the accuracy and completeness of all financial records and related information. Also, management is responsible for controls over the year-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

Management has requested that we prepare the annual financial statements and related notes. This arrangement is not unusual for an organization the size of the EDC. These decisions were based on the availability of the EDC's staff and the cost/benefit of using our expertise.

During our audit, we proposed numerous adjustments to convert the EDC's financial records to the financial statements as reported. Those adjustments were made to report receivables and revenue (deferred revenue in the fund) for interest and to reclassify various revenues.

Kandiyohi County and City of Willmar EDC

Balance Sheet Prev Year Comparison

As of December 31, 2014

	Dec 31, 14	Dec 31, 13	\$ Change
ASSETS			
Current Assets			
Checking/Savings			
Heritage Bank checking	19,962.60	64,995.99	-45,033.39
Heritage Bank savings	223,388.50	212,164.61	11,223.89
Citizens Alliance Bank CD 2015	102,010.00	101,000.00	1,010.00
Citizens Alliance Bank CD 2013	101,050.00	100,000.00	1,050.00
North American State Bank CD	102,737.13	101,736.54	1,000.59
US Bank Tourism CD mat. 2.2018	18,056.31	18,056.31	0.00
Concorde Bank RLF	62,657.64	75,028.54	-12,370.90
Total Checking/Savings	629,862.18	672,981.99	-43,119.81
Accounts Receivable			
Taxes Receivable	14,889.21	17,240.94	-2,351.73
Total Accounts Receivable	14,889.21	17,240.94	-2,351.73
Other Current Assets			
Prepaid Expenses	8,400.00	1,498.97	6,901.03
Total Other Current Assets	8,400.00	1,498.97	6,901.03
Total Current Assets	653,151.39	691,721.90	-38,570.51
Fixed Assets			
zACCUMULATED DEPRECIATION	-22,014.00	-46,790.00	24,776.00
Capital Assets	28,837.21	60,827.00	-31,989.79
Furniture and Equipment	8,504.98	1,202.12	7,302.86
Total Fixed Assets	15,328.19	15,239.12	89.07
Other Assets			
rent deposits	3,600.00	0.00	3,600.00
Accrued Interest	0.00	841.87	-841.87
Loan Receivable-HRA	25,750.00	25,750.00	0.00
RLF Loan Rec--Feedlogic	0.00	5,757.16	-5,757.16
RLF Loan Rec--LuLu Beans	11,217.12	16,181.72	-4,964.60
RLF Loan Rec--Oakes Lawn	33,069.01	0.00	33,069.01
RLF Loan Rec--Peaceful Thymes	16,563.29	17,764.33	-1,201.04
RLF Loan Rec--Snap Fitness	20,892.92	25,000.00	-4,107.08
Total Other Assets	111,092.34	91,295.08	19,797.26
TOTAL ASSETS	779,571.92	798,256.10	-18,684.18
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
Accounts Payable	1,380.13	0.00	1,380.13
Total Accounts Payable	1,380.13	0.00	1,380.13
Credit Cards			
Bremer Bank Visa (Jean)	0.00	1,875.95	-1,875.95
Bremer Bank Visa (Steve)	0.00	338.25	-338.25
Total Credit Cards	0.00	2,214.20	-2,214.20
Other Current Liabilities			
Bills Payable	0.00	5,564.14	-5,564.14
Deferred Revenue	14,889.21	17,240.94	-2,351.73
Vacation Benefits Payable			
Executive Director	9,641.00	8,649.36	991.64
Assistant Director	6,064.04	5,136.24	927.80
Business Development Specialist	814.04	0.00	814.04
Total Vacation Benefits Payable	16,519.08	13,785.60	2,733.48

Kandiyohi County and City of Willmar EDC
Balance Sheet Prev Year Comparison
As of December 31, 2014

	Dec 31, 14	Dec 31, 13	\$ Change
Sick Leave Benefits Payable			
Executive Director	8,871.84	9,172.80	-300.96
Assistant Director	9,163.10	7,640.54	1,522.56
Business Development Specialist	211.54	0.00	211.54
Total Sick Leave Benefits Payable	18,246.48	16,813.34	1,433.14
Payroll Liabilities	8,464.24	4,593.71	3,870.53
Total Other Current Liabilities	58,119.01	57,997.73	121.28
Total Current Liabilities	59,499.14	60,211.93	-712.79
Total Liabilities	59,499.14	60,211.93	-712.79
Equity			
Reserved Funds			
2015 Budget	50,000.00	0.00	50,000.00
Entrepreneurs Loan Fund Reserve	68,206.00	43,832.00	24,374.00
Loan Receivable-HRA of Willmar	25,750.00	25,750.00	0.00
Operating Capital	250,000.00	0.00	250,000.00
Revolving Loan Fund-County	224,052.00	224,052.00	0.00
Tourism Development CD-County	18,056.87	18,124.87	-68.00
Total Reserved Funds	636,064.87	311,758.87	324,306.00
Designated			
Invested in Capital Assets	15,328.00	15,239.00	89.00
Total Designated	15,328.00	15,239.00	89.00
Unreserved Funds	86,650.54	426,268.12	-339,617.58
Unrestricted Net Assets	0.00	-10,530.98	10,530.98
Net Income	-17,970.63	-4,690.84	-13,279.79
Total Equity	720,072.78	738,044.17	-17,971.39
TOTAL LIABILITIES & EQUITY	779,571.92	798,256.10	-18,684.18

Kandiyohi County and City of Willmar EDC

Profit & Loss Prev Year Comparison

January through December 2014

	Jan - Dec 14	Jan - Dec 13	\$ Change
Ordinary Income/Expense			
Income			
County Tax Levy	454,566.39	455,040.89	-474.50
Loans			
ELGP Loan Application Fees	520.00	383.20	136.80
Revolving Loan Application Fees	625.00	0.00	625.00
Revolving Loan Fund costs	152.25	0.00	152.25
RLF repayments interest	4,126.50	1,860.26	2,266.24
Total Loans	5,423.75	2,243.46	3,180.29
Insurance Dividends	1,318.00	2,168.00	-850.00
Investments			
Interest-Savings, Short-term CD			
United Prairie Bank CD	0.00	1,008.38	-1,008.38
Citizens Alliance Bank CD	1,010.00	1,000.00	10.00
Citizens Alliance Bank CD 2013	1,050.00	0.00	1,050.00
Concorde Bank savings	141.73	242.00	-100.27
Heritage Bank savings	223.89	248.03	-24.14
NASB CD	1,000.59	1,159.96	-159.37
Total Interest-Savings, Short-term CD	3,426.21	3,658.37	-232.16
Total Investments	3,426.21	3,658.37	-232.16
Other Types of Income			
Miscellaneous Revenue	0.00	69.00	-69.00
Total Other Types of Income	0.00	69.00	-69.00
Refunds and Reimbursements	0.00	0.02	-0.02
Total Income	464,734.35	463,179.74	1,554.61
Gross Profit	464,734.35	463,179.74	1,554.61
Expense			
Moving Expenses	2,310.87	0.00	2,310.87
Revolving Loan Fund Expenses			
Bank fees	0.00	10.00	-10.00
Recording Fees	129.70	0.00	129.70
Revolving Loan Fund Expenses - Other	42.55	0.00	42.55
Total Revolving Loan Fund Expenses	172.25	10.00	162.25
Econ Dev. Community Contrib.			
Sponsor Fees			
U of M Technology Showcase	158.90	0.00	158.90
Vision 2040	2,500.00	0.00	2,500.00
Sponsor Fees - Other	250.00	3,050.00	-2,800.00
Total Sponsor Fees	2,908.90	3,050.00	-141.10
Community Marketing Coalition	0.00	2,500.00	-2,500.00
Econ Dev. Community Contrib. - Other	2,000.00	12,489.01	-10,489.01
Total Econ Dev. Community Contrib.	4,908.90	18,039.01	-13,130.11
Other Expenses			
EDCOB - meals/admin	1,705.50	2,012.78	-307.28
Joint Powers Board-meals/admin	1,848.06	1,339.18	508.88
SCORE (cell phone/email)	246.15	259.40	-13.25
Other operating expenses	22.40	1,236.40	-1,214.00
Other Expenses - Other	0.00	0.00	0.00
Total Other Expenses	3,822.11	4,847.76	-1,025.65
Countywide Business Development			
Countywide business development	4,000.00	0.00	4,000.00

Kandiyohi County and City of Willmar EDC

Profit & Loss Prev Year Comparison

January through December 2014

	Jan - Dec 14	Jan - Dec 13	\$ Change
Southwest Initiative Foundation	0.00	18,000.00	-18,000.00
Total Countywide Business Development	4,000.00	18,000.00	-14,000.00
Committee Expenses			
Ag/Renewable Energy Development			
Conferences/Seminars/Trainings	41.00	1,882.44	-1,841.44
Meals/Meeting Refreshments	522.06	1,134.40	-612.34
Mileage/Travel	971.96	0.00	971.96
Professional Services			
General Administrative Services	17.50	0.00	17.50
Total Professional Services	17.50	0.00	17.50
Incurred costs (mileage, other)	30.00	4,255.30	-4,225.30
Program administration	31.40	341.66	-310.26
Supplies (office or program)	15.52	0.00	15.52
Telephone, telecommunications	0.00	1,116.56	-1,116.56
Total Ag/Renewable Energy Development	1,629.44	8,730.36	-7,100.92
Business, Retention & Expansion			
Conferences/Seminars/Trainings	0.00	110.00	-110.00
Marketing	104.00	0.00	104.00
Meals	163.31	242.28	-78.97
Mileage/Travel	776.16	0.00	776.16
Postage	129.00	0.00	129.00
Professional Services			
General administrative	4,112.50	257.88	3,854.62
Professional Services - Other	0.00	987.00	-987.00
Total Professional Services	4,112.50	1,244.88	2,867.62
Supplies (office or program)	23.43	0.00	23.43
Technology Advisory Subcomm.			
Web site development grants	2,980.00	2,672.00	308.00
Technology Advisory Subcomm. - Other	458.45	0.00	458.45
Total Technology Advisory Subcomm.	3,438.45	2,672.00	766.45
Business, Retention & Expansion - Other	2,000.00	136.29	1,863.71
Total Business, Retention & Expansion	10,746.85	4,405.45	6,341.40
Finance Committee			
Meals	454.55	252.94	201.61
Professional services			
General administrative services	332.50	195.50	137.00
Total Professional services	332.50	195.50	137.00
Total Finance Committee	787.05	448.44	338.61
Marketing and Public Relations			
Meals	622.92	755.73	-132.81
Media	3,909.08	1,120.00	2,789.08
Memberships	540.00	371.25	168.75
Printing, copying & publishing	7,272.90	1,142.10	6,130.80
Professional Services			
General administrative services	490.00	385.38	104.62
Marketing (REDstar)	11,270.42	5,391.92	5,878.50
Professional Services - Other	83.41	83.42	-0.01
Total Professional Services	11,843.83	5,860.72	5,983.11
Special projects	3,432.62	6,294.70	-2,862.08
Total Marketing and Public Relations	27,621.35	15,544.50	12,076.85
Tourism/Leisure Travel			

Kandiyohi County and City of Willmar EDC

Profit & Loss Prev Year Comparison

January through December 2014

	Jan - Dec 14	Jan - Dec 13	\$ Change
CVB Tourism Partnership	34,000.00	34,000.00	0.00
Total Tourism/Leisure Travel	34,000.00	34,000.00	0.00
Total Committee Expenses	74,784.69	63,128.75	11,655.94
Employee Compensation			
Accrued vacation and sick exp.	4,166.00	1,990.69	2,175.31
Director's salary	79,500.00	79,500.00	0.00
Director's auto allowance	6,300.00	6,300.00	0.00
Director's pension (PERA)	5,763.59	5,763.62	-0.03
Director's health insurance	6,846.99	8,670.00	-1,823.01
Assistant Director's salary	65,983.92	60,984.00	4,999.92
Asst. Director's pension (PERA)	4,783.69	4,421.28	362.41
Asst. Director's health ins.	9,392.50	8,670.00	722.50
Bus Develop Specialist salary	38,985.67	29,405.37	9,580.30
Bus Develop Sp's pension (PERA)	2,826.45	2,131.93	694.52
Bus Develop Sp health insurance	6,949.80	5,780.00	1,169.80
Employer Payroll Tax Expense	14,593.87	13,394.49	1,199.38
Workers' Compensation insurance	895.00	668.00	227.00
Total Employee Compensation	246,987.48	227,679.38	19,308.10
Administrative Expenses			
MCIT property/casualty insur	3,139.00	2,794.00	345.00
Meals not for a committee	1,890.80	1,330.67	560.13
Memberships, dues, subscription	4,286.48	5,220.38	-933.90
Professional Services			
Accountant Fees	3,516.00	0.00	3,516.00
Auditor	5,550.00	5,800.00	-250.00
Bookkeeping Fees	4,362.50	4,981.51	-619.01
Legal Fees	6,317.50	1,200.00	5,117.50
Total Professional Services	19,746.00	11,981.51	7,764.49
Seminars and promotions	2,039.58	1,667.86	371.72
Travel, conference, school	6,419.38	8,130.15	-1,710.77
Total Administrative Expenses	37,521.24	31,124.57	6,396.67
Office Expenses			
Cleaning person	2,671.88	2,671.88	0.00
Deprec. - furniture & equip.	3,547.00	5,532.00	-1,985.00
Equip Maintenance & Rental			
Software	548.88	112.69	436.19
Toshiba service contract	1,453.52	2,031.61	-578.09
Equip Maintenance & Rental - Other	2,598.59	2,899.12	-300.53
Total Equip Maintenance & Rental	4,600.99	5,043.42	-442.43
Furniture and equipment	630.50	394.39	236.11
Late Fees	0.00	0.00	0.00
Office equipment & misc.	99.43	605.98	-506.55
Postage, Mailing Service	94.60	242.75	-148.15
Printing, Copying & Publishing	2,933.76	1,207.65	1,726.11
Professional Services			
General Administrative	50,393.25	51,340.42	-947.17
Website hosting service	240.00	420.00	-180.00
Professional Services - Other	126.75	0.00	126.75
Total Professional Services	50,760.00	51,760.42	-1,000.42
Rent, Parking, Utilities	22,244.50	24,575.32	-2,330.82
Rent - water cooler & PO box	149.05	111.30	37.75
Supplies	3,202.15	5,821.05	-2,618.90
Telephone, Telecommunications	6,665.59	6,297.02	368.57
Waste and snow removal	812.51	777.93	34.58
Office Expenses - Other	226.48	0.00	226.48

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Accrual Basis

Kandiyohi County and City of Willmar EDC
Profit & Loss Prev Year Comparison
January through December 2014

	Jan - Dec 14	Jan - Dec 13	\$ Change
Total Office Expenses	98,638.44	105,041.11	-6,402.67
Total Expense	473,145.98	467,870.58	5,275.40
Net Ordinary Income	-8,411.63	-4,690.84	-3,720.79
Other Income/Expense			
Other Income			
GAIN LOSS ON EQUIP DISPOSITIONS	-9,559.00	0.00	-9,559.00
Total Other Income	-9,559.00	0.00	-9,559.00
Net Other Income	-9,559.00	0.00	-9,559.00
Net Income	-17,970.63	-4,690.84	-13,279.79



JAMES M. RUFF, INC.

CERTIFIED PUBLIC ACCOUNTANT & CONSULTANTS

JAMES M. RUFF, CPA

August 27, 2015

The Joint Powers Board and
The Operations Committee
Kandiyohi County and the City of Willmar
Economic Development Commission

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kandiyohi County and the City of Willmar Economic Development Commission (EDC) for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 25, 2015. Professional standards require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Kandiyohi County and City of Willmar EDC are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the EDC's financial statements was (were):

- a) useful lives of equipment for computing depreciation expense and
- b) the loan reserve for the loan guarantee program.

◆ Accounting & Auditing ◆ Tax Planning & Preparation ◆ Retirement, Financial, & Estate Planning ◆
◆ Estates & Trusts ◆ QuickBooks ◆ Payroll & Employee Benefits ◆ Agribusiness & Farm ◆ Business Consulting ◆

◆ P.O. Box 1056 ◆ 2015 1st Street S. ◆ Willmar, Minnesota 56201 ◆ Phone: (320) 235-1002 ◆
◆ Fax: (320) 235-3809 ◆ Email: ruffcpas@en-tel.net ◆

Management's estimate of the useful lives of property and equipment is based on estimated economic or useful life. We evaluated the key factors and assumptions used to develop the determination of useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the loan loss reserve is based on historical experience. We evaluated the key factors and assumptions used to develop the loss reserve in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosure of FDIC insurance and collateral in Note B to the financial statements regarding credit risk associated with cash funds at financial institutions. The disclosures in the financial statements are neutral, consistent, and clear. We found no disclosures where the issues and judgments in formulating the disclosure were unclear or biased.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 27, 2015.

Management Consultations with Other Independent Accountants

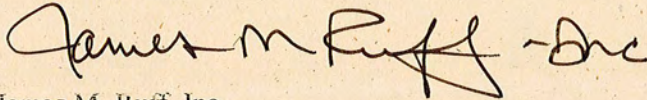
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of The Joint Powers Board, The Operations Committee and management of the Kandiyohi County and the City of Willmar Economic Development Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink, appearing to read "James M. Ruiff, Inc.", with a stylized flourish at the end.

James M. Ruiff, Inc.