

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)
JOINT POWERS BOARD OF COMMISSIONERS MEETING
MINUTES
July 28, 2016
EDC Office, Willmar, MN

Present: Denis Anderson, Marv Calvin, Ron Christianson, Rollie Nissen for Roger Imdieke, Harlan Madsen and Doug Reese

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

Media: Carolyn Lange, West Central Tribune

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

Chairperson Harlan Madsen called the meeting to order at approximately 11:30 a.m. and declared a quorum was present.

MINUTES

IT WAS MOVED BY Marv Calvin, SECONDED BY Denis Anderson, to approve the minutes of the April 28, 2016 meeting of the Kandiyohi County and City of Willmar Economic Development Commission Joint Powers Board of Commissioners as e-mailed. All present voted unanimously in favor by roll call.

TREASURER'S REPORT—Aaron Backman presented the financial reports for periods ending April 30, May 31 and June 30, 2016 and reviewed with the board the most recent Profit and Loss report.

[Rollie Nissen joined the meeting.]

Backman also reviewed with the board the most recent Balance Sheet and noted the biggest change in June was receipt of the first half of the county levy.

[Ron Christianson joined the meeting.]

Madsen asked if the Kandiyohi County CEO (Creating Entrepreneurial Opportunities) students made presentations to the EDC Joint Operations Board. Backman indicated the students attended a presentation at the EDC where staff provided information on what the EDC can do for businesses and Bruce Peterson provided zoning information. Madsen suggested a couple of students who have achieved their business goals, present to one or both EDC boards for education and exchange of information. Marv Calvin reported the kickoff for next year's CEO students was held last night at The Oaks. Calvin noted local businesses have used services of a couple of the students' businesses

in the past few months. Backman recognized the support of the CEO program by the local business community.

IT WAS MOVED BY Denis Anderson, SECONDED BY Doug Reese, to accept the Kandiyohi County and City of Willmar Economic Development Commission financial reports for periods ending April 30, May 31 and June 30, 2016, subject to audit. All present voted unanimously in favor by roll call.

PROGRESS REPORTS

Willmar. Backman reported the EDC received confirmation of the state's Shovel-Ready Certification of the Willmar Industrial Park Fourth Addition. A good overall report was received from the state's consultant, John Rhodes. Backman provided information on the soil borings that were done. Backman reported weekly telephone conferences are held with all partners involved in the railroad wye project. WSB & Associates and the Minnesota Department of Transportation (MNDOT) are working on the environmental review process. MNDOT will host an open house on the Wye project August 2, 2016 from 5-7 p.m. at the Willmar Public Library. Madsen noted there will be two other open houses for the public to attend. Ron Christianson reported Bruce Peterson and Sean Christianson attended a meeting in St. Paul this week and a presentation on the Wye project will be made to the Willmar City Council on August 1. Backman showed the board a preliminary concept of the proposed Willmar Rail Park with the railroad spur coming from the north (see attached). Calvin suggested First Avenue businesses be considered in the plans as the project will impact several. Calvin encouraged elected officials to attend the August 2nd open house. Christianson noted August 2nd is also Community Night Out. Madsen stated Mel Odens has encouraged anyone with questions on the project to contact him. Discussion was held on the proposal to abandon a portion of TH 40 and connecting Willmar Avenue to TH 40 and CR 5.

MinnWest Technology Campus. Backman reported he and Connie Schmoll meet monthly with MinnWest Technology Campus (MWTC) staff. Backman showed a flyer he and the EDC's Marketing and Public Relations Committee developed to market the MWTC (see attached). Madsen recommended the features of the MWTC be promoted to the public. Backman intends to create flyers for various marketing purposes with the next flyer being to market the Willmar Industrial Park. Backman showed a new ad created using the Shovel Ready logo (see attached) and a flyer developed for the 10-year anniversary of the Willmar Airport (see attached). Schmoll has been working with a group that is marketing the Willmar Airport open house. Calvin stated the University of Minnesota Extension Level II clean room and teaching lab at Mid-Central Research and Outreach Center are significant and should be promoted. Schmoll reported she and Backman met with Terri Wasmoen of Epitopix and toured its production facility. Wasmoen specifically noted Epitopix is having challenges obtaining high-skilled workforce and workforce housing. Calvin noted local groups are looking at local housing issues. Christianson noted his company and Koosman Homes are building housing units.

Business Visits and Meetings. Backman and Schmoll reviewed a summary of their work over the past few months, which are tied into the five major benchmarks and priorities identified by the boards during their planning session (see attached). Schmoll noted which area to select for the first broadband project is the most difficult decision being determined at present by the Broadband

and Advanced Technology Committee. Schmoll noted formation of a local angel investment fund is progressing and was featured in an article this week in the *West Central Tribune*. The article has resulted in potential investors contacting the EDC. Since April, EDC staff has visited more than 50 businesses. A priority for Backman in his first quarter was to meet with the county's major employers—he has a few yet to visit.

UNFINISHED BUSINESS—There was no unfinished business.

NEW BUSINESS

2015 Audit. Jim Ruff presented the 2015 draft audit (see attached), which he will also present to the EDC Joint Operations Board before finalizing. As a result of Steve Renquist and Jean Spaulding leaving, he was unable to interview staff for the audit. Ruff stated there are no findings and it was a clean audit. Ruff informed the board he makes significant changes to the EDC's raw bookkeeping to bring it up to audit standards to conform with current standards for reporting. Ruff validates from outside sources that the EDC's bookkeeping is done correctly. The auditor conforms the financials from a cash basis to an accrual basis. The difference between the General Fund and Governmental Activities is the cash basis versus accrual basis. At the end of 2015, there was approximately \$584,000 in cash on hand compared to prior years of about \$640,000. The 2015 budget showed anticipated use of reserves and was underspent. The payouts to Renquist and Spaulding of accrued vacation and sick leave impacted the cash on hand. Reserved or restricted funds are \$273,634; undesignated funds are \$378,402 and unrestricted funds at year end was \$425,709. The Income Statement/General Fund Statement on pages 4 and 5 shows reserves of \$64,774 was used and the expenses were \$8,482 less than expected, which is partially due to the salary for the Assistant Director not being used. Ruff noted the EDC has traditionally underspent its budget. Ruff stated the EDC's money being disbursed throughout various banks is good as it protects the EDC's money and most of the money is earning interest. The EDC's internal control is adequate, reasonable and working with no deficiencies. Ruff will meet with Backman and Nancy Birkeland and go over small details on which to work. Ruff will present the final audit to this board in October. Madsen thanked Ruff for his work with the EDC.

2016 Budget Adjustments. Backman noted Ruff suggested corrections to the 2016 budget pertaining to the HackFest grant (see attached).

IT WAS MOVED BY Ron Christianson, SECONDED BY Doug Reese, to approve all 2016 budget adjustments presented. All present voted unanimously in favor by roll call.

[Schmoll was excused from the meeting.]

2017 Preliminary Budget. Backman noted his priority is to have a balanced budget and to not incorporate the use of reserves in the proposed 2017 budget, which included a 4.4% increase in the county levy to \$498,750. Backman reviewed the areas of the budget that decreased and increased. Overall, the proposed 2017 budget is about \$80,000 less than in 2016. Backman reported he notified the CEO board that the EDC will still participate in the CEO program by being its fiscal agent and doing its bookkeeping and providing temporary memberships for students to WORKUP, but it

will not invest in the program. Backman received a positive email from Jim Sieben regarding the EDC and its involvement in the CEO program. Backman did not include any funds for the Assistant Director position. This proposed budget was presented to the EDC Joint Operations Board in July and was unanimously adopted. Madsen noted it is the first budget in a number of years that does not draw down reserves. Doug Reese voiced his support of the levy increase and was pleased that reserves are not being used. The board voiced their concern in the TIGER II grant contribution being reduced and directed it be kept at \$35,000.

IT WAS MOVED BY Rollie Nissen, SECONDED BY Doug Reese, to approve the 2017 budget with the change of increasing the TIGER II grant to \$35,000. All present voted unanimously in favor by roll call.

[Jim Ruff was excused from the meeting.]

Bank Line of Credit. Backman reported the Joint Operations board approved the EDC having a line of credit to accommodate times when the EDC is low on funds and has not yet received the county tax levy.

IT WAS MOVED BY Harlan Madsen, SECONDED BY Doug Reese, to ratify the Kandiyohi County and City of Willmar Economic Development Commission's Joint Operations Board recommendation to obtain a line of credit through Heritage Bank, N.A. in the amount of \$25,000 and the signors on the note be the Executive Director and the Joint Powers Board treasurer. All present voted unanimously in favor by roll call.

Tax Abatement Request by RockStep Capital for Kandi Mall. Madsen stated the EDC will only receive abatement information for information purposes only. Backman presented information for the tax abatement request by RockStep Capital for the Kandi Mall. The request will help facilitate national retailers to move into the Kandi Mall property. RockStep Capital plans to redevelop the former Kmart area, install new signage, repave a portion of the parking lot and construct a new retail building. RockStep Capital will invest \$6.5 million in the project and add 60+ jobs that meet the \$12 minimum wage. Backman provided information on the current real estate taxes paid and the adjustment due to a new market value. This would be the first major improvement to the mall in the past 30+ years. The first request will be made to the Willmar Community Development Committee this afternoon and to the Board of County Commissioners on August 2nd. RockStep Capital representatives will attend the presentations to the taxing jurisdictions. Tommy Stewart of RockStep Capital and John Vornholt, Kandi Mall Manager, made a presentation to the EDC Joint Operations Board, which unanimously approved support of the request at a level to be determined by each taxing jurisdiction.

Revolving Loan Fund Loan to REDstar Creative, Inc. Backman requested the board ratify the Revolving Loan Fund loan made to REDstar Creative, Inc.

IT WAS MOVED BY Marv Calvin, SECONDED BY Doug Reese, to ratify the Kandiyohi County and City of Willmar Economic Development Commission Joint Operations Board's approval of a five-year \$30,000 loan under the Revolving Loan Fund Program to REDstar Creative, Inc. at 5.5% interest with the option of the borrower making interest-only payments for up to six months and the loan be closed within 90 days of

the Joint Operation Board's approval. All present voted unanimously in favor by roll call.

Executive Director Review Process. Backman noted his six-month review is due August 24, 2016 and asked the board to discuss his review process. Backman requested his review be in a closed session. Backman presented a proposed performance review form (see attached) that is a hybrid he developed using the EDC's previous form and the city of Willmar's form. Christianson suggested numbers 4-0 be assigned to the questions with 4 being exceeds expectations.

IT WAS MOVED BY Marv Calvin, SECONDED BY Ron Christianson, to approve the review form with the addition of numbers 4-0 being assigned to the questions with 4 being exceeds expectations and 0 being no opinion or not applicable and that the Chair and Denis Anderson receive the compiled evaluations. All present voted unanimously in favor by roll call.

The board agreed to return their evaluations by August 4, 2016. Denis Anderson will participate in the review of the evaluations with the Joint Operations Board President and Vice President.

Vision Statement. Backman presented the EDC's Vision Statement recommended by the Joint Operations Board.

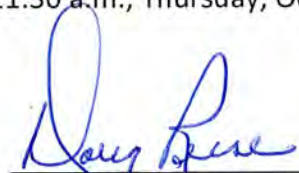
IT WAS MOVED BY Denis Anderson, SECONDED BY Ron Christianson, to approve the following Vision Statement for the Kandiyohi County and City of Willmar Economic Development Commission as recommended by the Joint Operations Board:

To provide visionary economic development leadership creating growth, prosperity, innovation, international competitiveness, and enhanced quality of life.

All present voted unanimously in favor by roll call.


ADJOURNMENT—There being no further business, the meeting was adjourned at approximately 1:42 p.m.

NEXT MEETING—The next regular board meeting is 11:30 a.m., Thursday, October 27, 2016, at the EDC office.



Doug Reese, Secretary

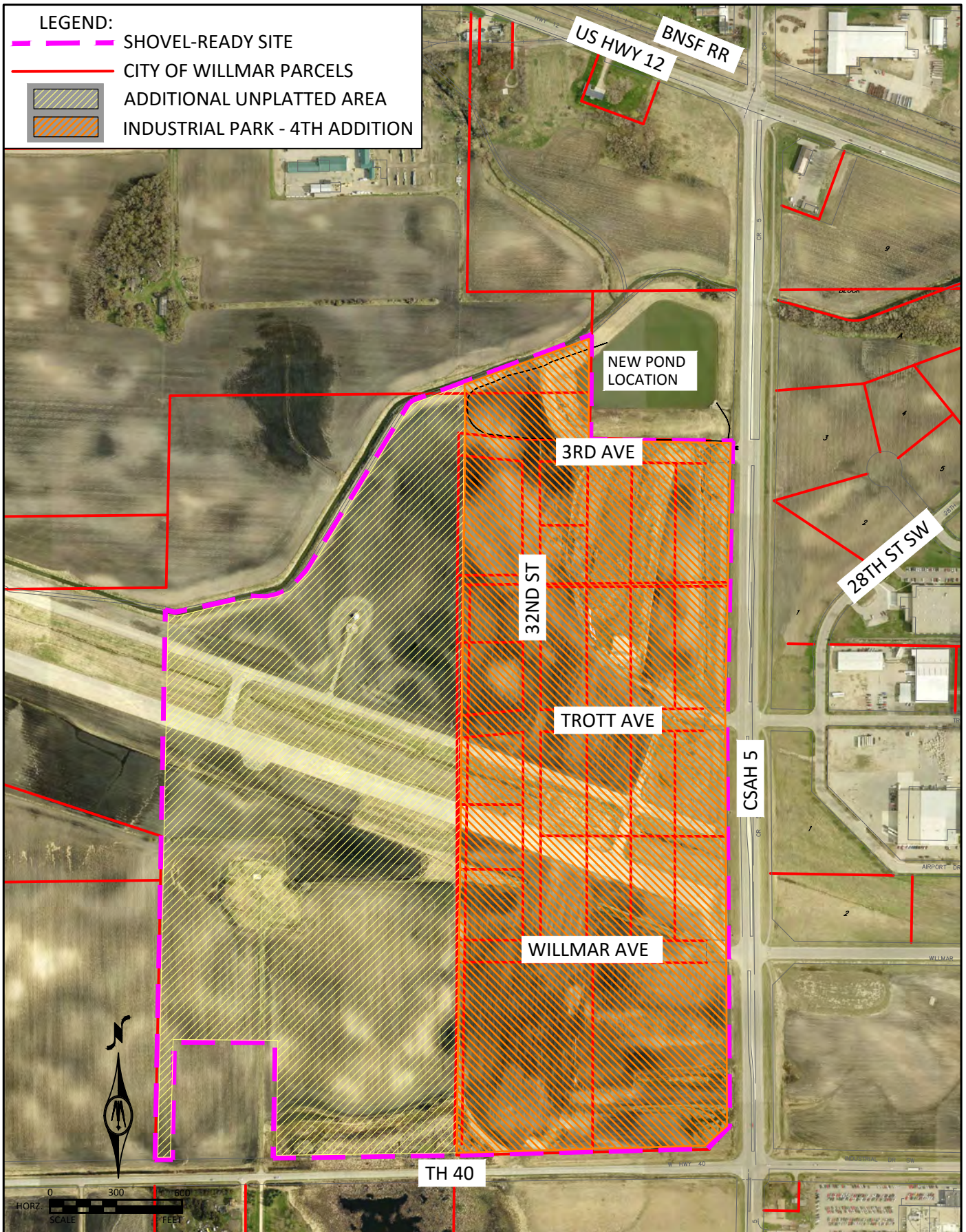
APPROVED: 10/27/2016:



Harlan Madsen, Chairperson

LEGEND:

- SHOVEL-READY SITE
- CITY OF WILLMAR PARCELS
- ADDITIONAL UNPLATTED AREA
- INDUSTRIAL PARK - 4TH ADDITION



BOLTON & MENK, INC.

Consulting Engineers & Surveyors

2040 HIGHWAY 12 EAST - WILLMAR, MINNESOTA 56201

Phone: (320)-231-3956 Email: Willmar@bolton-menk.com

www.bolton-menk.com

CITY OF WILLMAR, MINNESOTA
PROPOSED SHOVEL-READY SITE
WILLMAR INDUSTRIAL PARK

location,

Home of the Midwest's premier technology park with 400,000 sq. ft. of commercial space used by Agribusiness, Bioscience & Technology companies.



location,

Offering a new 181 acre area for industrial development recently certified Shovel-Ready by the State of Minnesota.



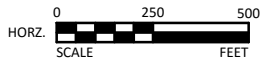
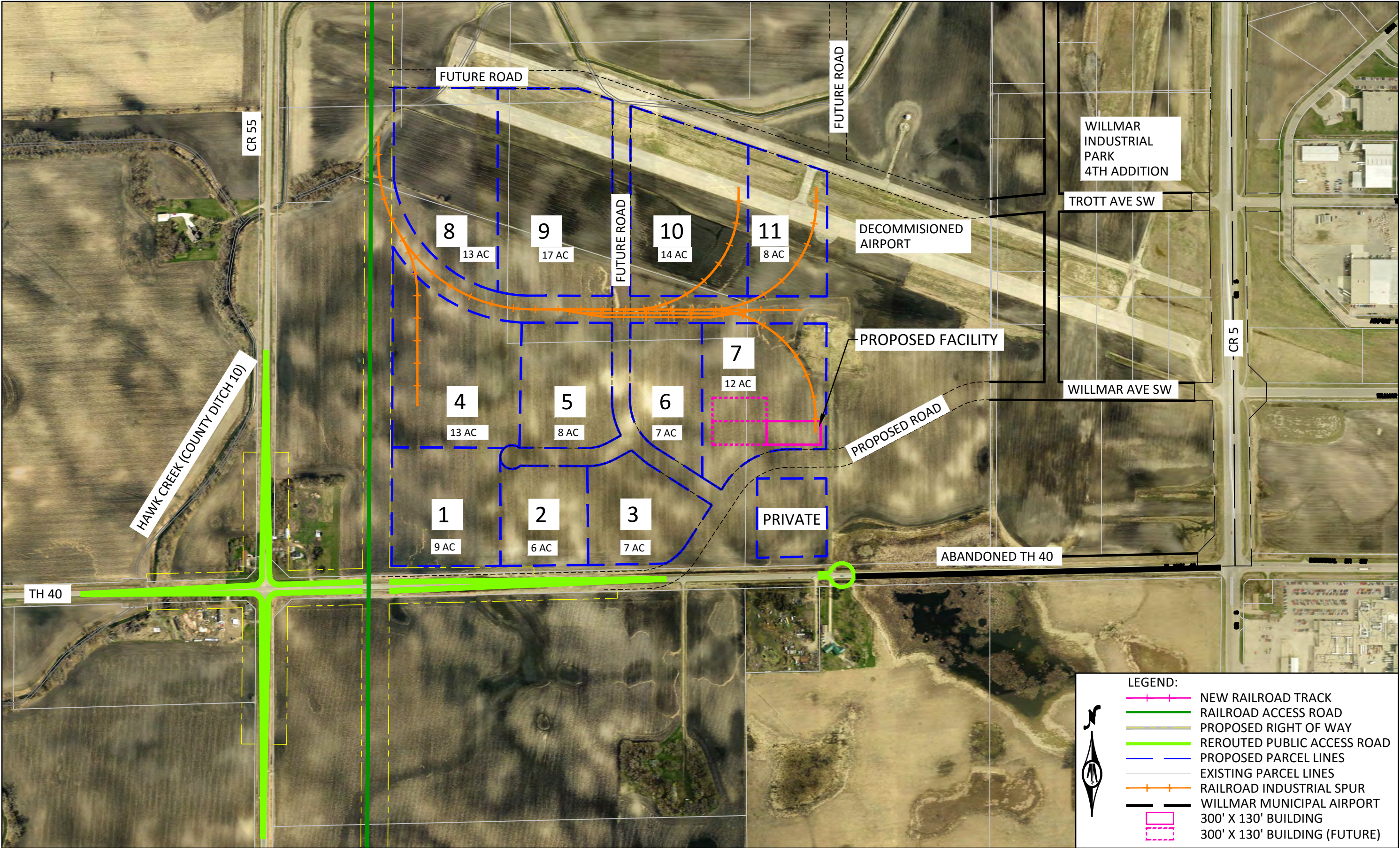
location.

Featuring a new airport, an east/west & north/south railway hub and access from both MN Highway 23 & US Highway 71.



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866.665.4556



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BOLTON & MENK, INC.
Consulting Engineers & Surveyors
2040 HIGHWAY 12 EAST - WILLMAR, MINNESOTA 56201
Phone: (320)-231-3956 Email: Willmar@bolton-menk.com
www.bolton-menk.com

CITY OF WILLMAR, MINNESOTA
WILLMAR INDUSTRIAL PARK RAIL ACCESS
WILLMAR RAIL PARK

July 18, 2016

OPTION 1



RESEARCH & TECHNOLOGY



MINNWEST TECHNOLOGY CAMPUS



The serene grounds of the 100-acre MinnWest Technology Campus are more than just lush green space and lakeside views. Inside the picturesque buildings of this historic campus are companies on the cutting edge of research and technology innovation - many of them pioneers in their respective industries. The campus boasts an array of R&D-focused technology, bioscience, and animal science companies, including national and global leaders in agriculture and advanced manufacturing such as Nova-Tech Engineering, Epitopix, Life Science Innovations (LSI), Prinsco, Inc. and ProCore.

home
to national &
global leaders in
ag & advanced
manufacturing

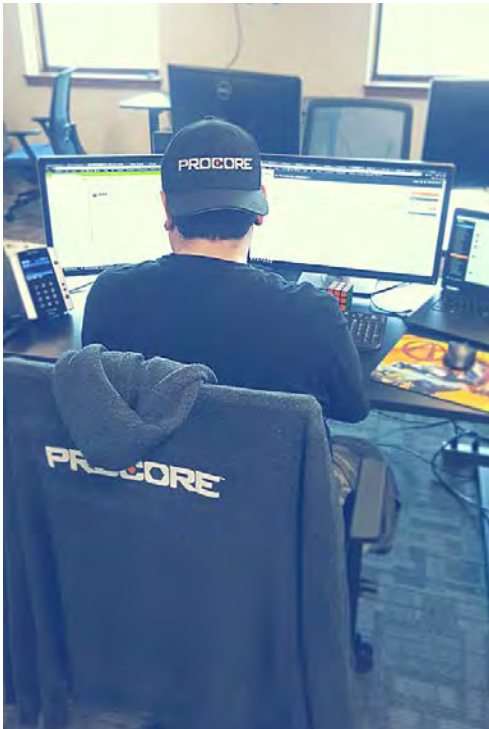


4 R&D labs
Level II clean room
Teaching lab with
DNA sequencing



When the MinnWest Technology Campus opened in 2006, it had 5 businesses with 107 employees on campus. Today, there are 33 businesses with over 550 employees on campus. There are also 4 state-of-the-art R&D labs including a University of Minnesota Extension Level II clean room and teaching lab with a DNA sequencing machine - the only one of its kind in Minnesota outside of the Twin Cities and Mayo Clinic in Rochester.

regional
business hub
with available
workforce
of 65k+



Info or tours:
kandiyohi.com
mnwesttechnology.com
toll-free 866.665.4556



OPEN *for* BUSINESS



A CLOSER LOOK

MINNWEST TECHNOLOGY CAMPUS



KEY INDUSTRIES



Agribusiness



Bioscience



Technology

SPACE



total of **416,768** ft²



WORKFORCE

employees on campus

2006 **107**

2011 **275**

2016 **550+**

65
Professional
Engineers

200+
Patents Filed
International & US

CULTURE



2016 survey results

the campus is...

- ✓ Inclusive
- ✓ Community-Focused
- ✓ Vibrant
- ✓ Progressive
- ✓ Driven

over **90%**
of campus employees reported...

"Working on campus has benefitted my career/company"

AMENITIES



Meeting
Facilities



Coworking
Space



Auditorium



Dedicated
Data Center



Cafeteria



Day Care



Fitness
Center



Pool



Walking
Trails
2+ miles

Info or tours:
kandiyohi.com
mnwesttechnology.com
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OPEN *for* BUSINESS



Summer 2016

Benchmarks for EDC's Priorities

• Broadband

- 1) In April, the EDC hosted Lt. Governor Tina Smith for a community discussion about Broadband. The information gathered was used by the Governor's Office to support legislative action and funding for broadband projects in Minnesota.
- 2) CNE (Communications Network Engineering, Inc.) is 70% completed with the Kandiyohi County Broadband Feasibility Study. A Letter of Intent was signed on 7/5/16 between Consolidated Telecommunications Company (CTC) and Kandiyohi County to plan for a broadband deployment project in the county.
- 3) The marketing survey portion of the Kandiyohi County Broadband Feasibility Study has been completed with responses from 377 residents from underserved areas of Kandiyohi County. Preliminary results that were reported to the County Board of Commissioners include data showing that 82% of respondents support construction of broadband networks to all residents of the County.
- 4) An important next step is to select an area(s) of the county for the broadband project. State funds were allocated for Border-to-Border broadband projects with \$30 million available for unserved areas in Minnesota. The EDC is preparing to write the grant along with the private provider's (CTC) assistance. The provider will be the grant applicant. The Border-to-Border grant deadline is October 3, 2016.
- 5) The marketing subcommittee of the EDC's Broadband and Advanced Technology Committee is organizing efforts to secure letters of support for a Border-to Border project and grant application.

• Transportation Infrastructure

- 1) In early June a group of 16 Willmar area representatives flew to Washington D.C. to meet with elected officials, their staffs, Federal Highway Administration, etc. The purpose was to seek additional federal funding for MN Hwy 23, Railroad Wye and the CR5/55 overpass. EDC participated in Hwy 23 Group meeting in Willmar regarding funding for two four-lane gaps north of Willmar.
- 2) The EDC participates in weekly conference calls with the Railroad Wye partners, as well as in other meetings pertaining to the Wye project.
- 3) The EDC has worked with Bolton & Menk Engineering, Willmar's Planning & Development and Engineering staff and Kandiyohi County Public Works to devise preliminary concept plans for the proposed Willmar Rail Park that would be associated with the Railroad Wye project.
- 4) EDC assisted a volunteer group with a marketing piece for 10-year Anniversary Celebration for the Willmar Municipal Airport and is working to secure attendance by aircraft operators and airport managers from outside of the City of Willmar.

• Industrial Park Development

- 1) In early April the Willmar City Council approved the EDC's Shovel-Ready Site Certification for the Fourth Addition of the Willmar Industrial Park and adjacent land in the former airport. The EDC contracted with Braun Intertec to do soil borings, Bonnema Surveys for the ALTA Surveys, and Glacial Lakes Environmental Consulting for the Phase I Environmental Site Assessment—studies

needed for the application. The Shovel-Ready Certification application was submitted to the State of Minnesota on June 7, 2016.

- 2) John Rhodes of Moran, Stahl & Boyer in Florida, the consultant hired by the State of Minnesota to evaluate proposed shovel-ready sites, conducted an on-site visit of Willmar on June 15th. He was pleased with the application and was impressed with the Willmar Industrial Park. On June 30th the EDC received word that the Willmar Industrial Park was certified as shovel-ready.
- 3) Multiple meetings with two prospects interested in the Willmar Industrial Park. One is potentially interested in lots south of Trott Avenue for a corporate office. The second is interested in 11 acres for warehouse facility with rail access. The EDC provided rough concept plans for both businesses.

• **Expand Funding Options for Businesses**

- 1) The EDC sponsored an introductory meeting of the Hill Capital Corporation at MinnWest Technology Campus in early March. Hill Capital Corporation offers an opportunity for individuals to invest in small businesses and could be a funding mechanism for small businesses in Kandiyohi County.
- 2) DEED representatives provided information about grant and loan programs funded during the 2016 legislative session at the June 17th MAPCED meeting attended by EDC staff. Further exploration is underway to determine if the programs are applicable to EDC goals especially for programs, including youth-t-work programs and equity programs for Southeast Asian and Somali populations.
- 3) The EDC's Ag Investment Planning Subcommittee has been successful in moving planning to design and implementation stages. The process is now moving forward by the investor/members of the fund and facilitated by Steven Mercil of Angel Capital Group. Thirteen investor/members assisted with establishing values and vision for the group and creating design documents. The group has established a name: West Central Angel Fund I LLC. The size of the fund will be minimally \$1 million with a maximum balance of \$2 million. Current members are now seeking additional accredited investors to join the group.

• **Marketing and Public Relations**

- 1) Following approval of the Shovel-Ready Certification of the Willmar Industrial Park, the EDC incorporated the Shovel-Ready logo in an ad for the first time in a publication distributed nationally by Business Climate (Journal Communications, Inc.) and sponsored by Minnesota Department of Employment and Economic Development. The ad proof was sent to the publisher on July 18th.
- 2) In July, with assistance from the Marketing and Public Relations Committee, the EDC developed a new brochure for the MinnWest Technology Campus. This brochure was first used with a business prospect from Minneapolis in mid-July.
- 3) EDC resource information was offered to five individuals seeking help with starting a new business. Resources included EDC loan application materials, referral to the SCORE program and access to the Small Business Development Corporation's free assistance to develop business plans and financial documents necessary to apply for funding. Two businesses were assisted with EDC loan application materials.
- 4) With assistance from the EDC, the gas and grocery store in Lake Lillian was re-opened under new ownership as Drex Mart.
- 5) Follow-up visits were conducted with Mark Bonnema, new owner of the former Vegdahl's Hardware Hank in Spicer; Elsie Kashmark of Peaceful Thymes in Atwater and Heather Larson owner of The Groom Zone, which recently expanded in New London. Since April, EDC staff has visited over 50 businesses, including:

April—U of MN Extension's Mid-Central Research & Outreach Center (MCROC), Barn Theatre, Rice Hospital, Nova-Tech Engineering, Bergh's Fabricating, Life-Science Innovations and Agricultural Utilization Research Institute (AURI)

May—Lange Ag Systems, Heritage Bank, Bethesda, Speer Medical Technologies, Willmar Electric Service, Ridgewater College, West Central Distribution, Suite Liv'n and MinnWest Technology Campus

June—Epitopix, Stonewall Farms in rural Willmar, Quam Construction, Redhead Creamery in Brooten, MN, Farm Tech Store (Feedlogic), Meadow Star Dairy near Pennock, MN, Kandi Mall, West Central Distribution, West Central Steel, MinnWest Technology Campus and Anez Consulting

July—Kandi Mall, Duininck Construction in Prinsburg, Family Medical Center, Community Health Services, Affiliated Community Medical Center (ACMC) and MinnWest Technology Campus

- 6) To assist in local efforts to build a strong, vibrant community the EDC participates as a steering committee member for the Blandin Leadership in Ethnically Diverse Communities (LEDC) program. The purpose of LEDC is to develop the leadership capacity in ethnically diverse communities for the purpose of building intentional inclusion.

Kandiyohi County City of Willmar Economic Development Commission

2016 Amended Budget

Date Printed: 7/26/2016

Joint Powers Board adopted 10/22/2015

Joint Powers Board amended 4/28/2016

	2016	Corrections
REVENUES		
County Tax Levy	\$ 477,750	
Blandin Foundation HackFest Grant No. G-2015-04910	\$ 10,000	\$ 7,919.96
Blandin Foundation HackFest Grant matching contribution by EDC	\$ 2,320	0
Blandin Foundation WiFi Grant No. G-2015-05319	\$ 7,722	
Blandin Foundation WiFi Grant matching contribution by EDC	\$ 2,000	0
Blandin Foundation Broadband Feasibility Study Grant	\$ 25,000	
Creating Entrepreneurial Opportunitites student loan program	\$ 30,000	
Insurance dividends	\$ 1,300	
Interest on investments		
Citizens Alliance Bank 36-month CD \$100,000 at 1.05% matures 9/20/2016	\$ -	
Concorde Bank (Revolving Loan Fund savings account)	\$ 100	
Heritage Bank savings account	\$ 120	
North American State Bank 12-month CD \$103,030.10 at .5% matures 4/14/2016		
North American State Bank 23-month CD \$102,221.82 at 1% matured 2/21/2016	\$ 1,983	
US Bank CD (Tourism Development Account) at .690% matures 2/20/2018	\$ -	
Loans		
ELGP loan application fees	\$ 200	
Revolving Loan Fund application fees	\$ 820	
Revolving Loan Fund filing fee reimbursements	\$ 80	
Revolving Loan Fund repayments interest	\$ 6,870	
Other Income		
Reserve Fund	\$ 64,286	\$ 68,606.00
Refunds and reimbursements	\$ -	
Total Revenues	\$ 630,551	\$ 628,471
EXPENSES		
Revolving Loan Fund Expenses		
Economic Development Community Contributions		
Blandin Foundation HackFest grant partial match	\$ 2,320	
Blandin Foundation WiFi grant partial match	\$ 2,000	
Sponsor Fees		
Animal Science Conference	\$ 2,000	
U of M Technology Showcase	\$ 500	
Vision 2040	\$ 2,500	
Other	\$ 1,500	
Total Economic Development Community Contributions	\$ 10,820	
Other Expenses:		
Joint Operations Board (includes meals/administrative time)	\$ 3,000	
Joint Powers Board (includes meals/administrative time)	\$ 1,000	
SCORE (cell phone and email account)	\$ 825	
Other operating expenses	\$ 1,254	
Total Other Expenses	\$ 6,079	
Countywide Business Development		
Creating Entrepreneurial Opportunitites Program (2014-2016)	\$ 1,000	
Shovel-Ready Certification Program - Willmar Industrial Park	\$ 3,250	
TIGER II Grant - Willmar Industrial Park	\$ 35,000	
Miscellaneous countywide business development	\$ 6,000	
Total Countywide Business Development	\$ 45,250	

Kandiyohi County City of Willmar Economic Development Commission

2016 Amended Budget

Date Printed: 7/26/2016

Joint Powers Board adopted 10/22/2015

Joint Powers Board amended 4/28/2016

	2016	Corrections
COMMITTEE EXPENSES		
Agriculture and Renewable Energy Development		
Conferences/Seminars/Trainings	\$ 1,800	
Marketing	\$ 500	
Meals/Meeting Refreshments	\$ 1,000	
Mileage/Travel	\$ 400	
Program administration		
Professional Services		
General Administrative Services	\$ 1,550	
Professional Services - Other	\$ 1,000	
Supplies (office or program)	\$ 250	
Telephone/Telecommunications		
Total Ag Committee Expenses	\$ 6,500	
Broadband and Advanced Technology		
Conferences/Seminars/Trainings		
Feasibility study administration	\$ 3,500	
Feasibility study grant funds to Kandiyohi County	\$ 21,500	
Marketing	\$ 190	
Meals/Meeting Refreshments	\$ 1,200	
Mileage/Travel	\$ 1,000	
Professional Services		
General Administrative Services	\$ 880	
Professional Services - Other	\$ 1,000	
Supplies (office or program)		
Website development grants		
Total Broadband and Advanced Technology Committee Expenses	\$ 29,270	
Business Retention and Expansion/Recruitment		
Conferences/Seminars/Trainings	\$ 1,050	
Marketing	\$ 200	
Meals	\$ 200	
Mileage/Travel	\$ 1,000	
Professional services		
General administrative services	\$ 2,200	
Professional services - Other	\$ 500	
Supplies (office or program)	\$ 200	
Total BRE/R Committee Expenses	\$ 5,350	
Finance		
Conferences/Seminars/Trainings		
Marketing		
Meals	\$ 500	
Professional services		
General administrative services	\$ 650	
Legal services	\$ 350	
Supplies (office or program)		
Total Finance Committee Expenses	\$ 1,500	
Marketing and Public Relations		
Meals	800	
Media	1,600	
Memberships		
Printing, copying and publishing	8,000	
Professional services		
General administrative services	1,600	
REDstar Creative	11,000	

Kandiyohi County City of Willmar Economic Development Commission

2016 Amended Budget

Date Printed: 7/26/2016

Joint Powers Board adopted 10/22/2015

Joint Powers Board amended 4/28/2016

	2016	Corrections
Professional services - other		
Special projects	2,000	
Total Marketing and Public Relations Committee Expenses	25,000	
Tourism/Leisure Travel		
CVB Tourism Partnership Agreement	\$ 34,000	
Mileage/Travel	\$ 400	
Total Tourism/Leisure Travel Committee	\$ 34,400	
Total Committee Expense	\$ 102,020	
EMPLOYEE COMPENSATION		
Executive Director		
Director's salary	\$ 98,000	
Director's auto allowance (\$525 per month)		
Director's health insurance (\$850 p/mo.)	\$ 8,500	
Director's payroll taxes (FICA = 6.20%; Medicare = 1.45%)	\$ 7,497	
Director's pension (PERA) employer rate is 7.5%	\$ 7,350	
Total Executive Director's Compensation	\$ 121,347	
Assistant Director		
Assistant Director's salary	\$ 17,667	
Asst Director's health insurance	\$ 2,250	
Asst Director's payroll taxes	\$ 1,352	
Assistant Director's PERA	\$ 1,325	
Total Assistant Director's Compensation	\$ 22,594	
Business Development Specialist's position		
Business Development Specialist's salary	\$ 61,583	
Business Development Specialist's health insurance	\$ 10,200	
Business Development Specialist's payroll taxes	\$ 4,711	
Business Development Specialist's PERA	\$ 4,619	
Total Business Development Specialist's Compensation	\$ 81,113	
Accrued vacation and sick expense		
Executive Director	\$ 10,734	
Business Development Specialist	\$ 4,431	
Employee workers' compensation insurance	\$ 896	
Total other employee compensation	\$ 16,061	
Total Employee Compensation	\$ 241,115	
ADMINISTRATIVE EXPENSES		
MCIT property/casualty insurance	\$ 2,997	
Meals not for a committee	\$ 2,500	
Memberships, dues, subscriptions		
Subscriptions	\$ 400	
EDAM membership	\$ 395	
MAPCED membership	\$ 310	
Local organizations	\$ 525	
Community Venture Network (CVN)	\$ 2,125	
MN DEED Marketing Partnership dues	\$ 625	
WORK UP membership 5/2016-5/2017	\$ 5,400	
Moving Expenses Executive Director	\$ 874	
Professional services:		
Accountant fees	\$ 1,000	
Auditor	\$ 7,000	
Bookkeeping fees	\$ 6,000	
Executive Director search firm	\$ 8,727	
Legal fees	\$ 2,000	

Kandiyohi County City of Willmar Economic Development Commission

2016 Amended Budget

Date Printed: 7/26/2016

Joint Powers Board adopted 10/22/2015

Joint Powers Board amended 4/28/2016

	2016	Corrections
Seminars and promotions	\$ 2,000	
Travel, conference, school	\$ 16,800	
Total Administrative Expenses	\$ 59,678	
OFFICE EXPENSES		
Cleaning person	\$ 2,600	
Depreciation - furniture and equipment		
Equipment maintenance and rental		
Software (Synchronist annual fee \$1,200)	\$ 1,100	
Toshiba digital color copier service contract	\$ 1,500	
Equipment maintenance and rental - other	\$ 750	
Furniture and equipment	\$ 2,000	
Toshiba digital color copier lease	\$ 1,667	
Office equipment and miscellaneous	\$ 3,000	
Postage, mailing service	\$ 500	
Printing, copying and publishing	\$ 2,500	
Professional services:		
Engineering and other professional services	\$ 9,500	
General administrative	\$ 57,800	
Planning session facilitator	\$ 2,220	
Website hosting and maintenance	\$ 450	
Rent and storage unit	\$ 22,200	
Rent (water cooler, post office box)	\$ 200	
Supplies	\$ 4,000	
Telephone/Telecommunications	\$ 5,880	
Other expenses		
Total Office Expenses	\$ 117,867	
BLANDIN WIFI GRANT EXPENSES		
Willmar Civic Center		
Routers (5 @ \$ approximately \$700 each)	\$ 3,500	
Data service for three years (7 x \$480 x 3)	\$ 4,222	
Total WiFi Expenses	\$ 7,722	
BLANDIN HACKFEST GRANT EXPENSES		
Application development	\$ 5,500	\$ 5,650
2016 Hackfest	\$ 4,500	\$ 2,151
IT		
Marketing		\$ 119
Meals and refreshments		
Meeting space		
Transportation		
Post hackfest events		
Total HackFest Expenses	\$ 10,000	\$ 7,920
CREATING ENTREPRENEURIAL OPPORTUNITIES STUDENT LOAN EXPENSES	\$ 30,000	
Advertising/Promotions		
Dinner Event and Silent Auction		
Advertising		
Decorations		
Conference Center		
Meals/Meeting refreshments		
Postage		
Supplies		
Other		
Total CEO Loan Expenses	\$ 30,000	
TOTAL PROGRAM EXPENSES	\$ 630,551	\$ 628,471

Kandiyohi County City of Willmar Economic Development Commission

Date Printed: 7/26/2016

2017 Proposed Budget

	Proposed 2017	Revised 2016	6/30/2016	2015 actuals
REVENUES				
County Tax Levy	\$ 498,750	\$ 477,750	264,953.22	\$ 455,891.32
Ag Producers' Survey Planning Subcommittee fund raising	\$ 4,200			
Blandin Foundation HackFest Grant No. G-2015-04910	\$ -	\$ 7,920		\$ 10,000.00
Blandin Foundation HackFest Grant matching contribution by EDC	\$ -			
Blandin Foundation WiFi Grant No. G-2015-05319	\$ -	\$ 7,722		\$ 19,680.00
Blandin Foundation WiFi Grant matching contributions	\$ -			
Blandin Foundation Broadband Feasibility Study Grant	\$ -	\$ 25,000	25,000.00	
Creating Entrepreneurial Opportunites student loan program	\$ 30,000	\$ 30,000	24,393.49	\$ 5,610.00
Insurance dividends	\$ 1,250	\$ 1,300		\$ 1,043.00
Interest on investments				\$ 205.86
Citizens Alliance Bank CD \$100,000 at 1.05% matures 9/20/2016	\$ -	\$ -		\$ 1,020.10
Concorde Bank (Revolving Loan Fund savings account)	\$ -	\$ 100	92.88	\$ 182.86
Concorde Bank CD matures 4/2017	\$ 1,000			
Heritage Bank savings account	\$ -	\$ 120	19.57	\$ 133.18
North American State Bank CD matured 4/14/2016	\$ -		958.30	
North American State Bank CD matured 2/21/2016	\$ -	\$ 1,983	518.34	\$ 509.46
US Bank CD (Tourism Development Account) at .690% matures 2/20/2018	\$ -	\$ -		
Loans				
ELGP loan application fees	\$ 300	\$ 200	300.00	
Revolving Loan Fund application fees	\$ 800	\$ 820	580.00	\$ 500.00
Revolving Loan Fund filing fee reimbursements	\$ 80	\$ 80	80.00	
Revolving Loan Fund repayments interest	\$ 8,120	\$ 6,870	3,210.23	\$ 3,815.63
Other Income	\$ -		1,000.00	\$ 1,426.39
Reserve Fund	\$ -	\$ 68,606		
Refunds, reimbursements and in-kind contributions	\$ 3,500	\$ -	2,698.74	
Total Revenues	\$ 548,000	\$ 628,471	323,804.77	\$ 500,017.80
EXPENSES				
Revolving Loan Fund Expenses	\$ -		35.00	\$ 20.00
Economic Development Community Contributions	\$ 1,000			
Blandin Foundation HackFest grant partial match	\$ -	\$ 2,320	2,320.00	\$ 320.03
Blandin Foundation WiFi grant partial match	\$ -	\$ 2,000	2,000.00	
Sponsor Fees				
Animal Science Conference	\$ 2,000	\$ 2,000	2,000.00	\$ 2,000.00
U of M Technology Showcase	\$ 500	\$ 500		\$ 861.64
Vision 2040	\$ 2,000	\$ 2,500		\$ 2,500.00
Other	\$ 1,500	\$ 1,500	4,400.00	\$ 1,550.00
Total Revolving Loan Fund and Economic Dev. Community Contributions	\$ 7,000	\$ 10,820	10,755.00	\$ 7,251.67
Other Expenses:				
Joint Operations Board (includes meals/administrative time)	\$ 3,000	\$ 3,000	1,338.41	\$ 2,414.02
Joint Powers Board (includes meals/administrative time)	\$ 1,000	\$ 1,000	769.30	\$ 905.68
SCORE (cell phone and email account)	\$ 350	\$ 825	388.09	\$ 915.08
Other operating expenses	\$ 100	\$ 1,254		\$ 50.00
Total Other Expenses	\$ 4,450	\$ 6,079	2,495.80	\$ 4,284.78
Countywide Business Development				
Creating Entrepreneurial Opportunites Program Investor (2014-2016)*	\$ -	\$ 1,000	1,074.00	\$ 1,000.00
Shovel-Ready Certification Program - Willmar Industrial Park	\$ -	\$ 3,250	3,250.00	
TIGER II Grant - Willmar Industrial Park	\$ 33,000	\$ 35,000	2,012.50	
Miscellaneous countywide business development	\$ 6,000	\$ 6,000	6,217.50	\$ 155.00
Total Countywide Business Development	\$ 39,000	\$ 45,250	12,554.00	\$ 1,155.00

Kandiyohi County City of Willmar Economic Development Commission

Date Printed: 7/26/2016

2017 Proposed Budget

	Proposed 2017	Revised 2016	6/30/2016	2015 actuals
COMMITTEE EXPENSES				
Agriculture and Renewable Energy Development				
Ag BRE Survey banquet, marketing and printing	\$ 4,200			
Conferences/Seminars/Trainings	\$ 1,100	\$ 1,800	250.00	\$ 1,360.53
Marketing	\$ 500	\$ 500		\$ 49.87
Meals/Meeting Refreshments	\$ 1,000	\$ 1,000	699.20	\$ 790.72
Mileage/Travel	\$ 400	\$ 400	169.56	\$ 897.52
Professional Services				
General Administrative Services	\$ 1,550	\$ 1,550	1,853.50	\$ 299.63
Professional Services - Other	\$ 3,500	\$ 1,000		
Supplies (office or program)	\$ 250	\$ 250	98.00	\$ 73.92
Other			74.00	
Total Ag Committee Expenses	\$ 12,500	\$ 6,500	3,144.26	\$ 3,472.19
Broadband and Advanced Technology				\$ 36.00
Conferences/Seminars/Trainings	\$ 500			\$ 448.50
Feasibility study administration	\$ 500	\$ 3,500	2,498.38	
Feasibility study grant funds to Kandiyohi County	\$ -	\$ 21,500		
Marketing	\$ 750	\$ 190		
Meals/Meeting Refreshments	\$ 1,200	\$ 1,200	971.38	\$ 1,333.83
Mileage/Travel	\$ 800	\$ 1,000	401.66	\$ 205.58
Professional Services				
General Administrative Services	\$ 880	\$ 880	601.25	\$ 531.00
Professional Services - Other	\$ 500	\$ 1,000		
Website development grants				\$ 930.00
Total Broadband and Advanced Technology Committee Expenses	\$ 5,130	\$ 29,270	4,472.67	\$ 3,484.91
Business Retention and Expansion/Recruitment				
Conferences/Seminars/Trainings	\$ 1,000	\$ 1,050		\$ 132.22
Marketing	\$ 200	\$ 200		\$ 98.50
Meals/Meeting Refreshments	\$ 200	\$ 200	31.57	\$ 838.11
Mileage/Travel	\$ 700	\$ 1,000	180.36	\$ 959.94
Professional services				
General administrative services	\$ 1,100	\$ 2,200	481.00	\$ 414.00
Professional services - Other	\$ 500	\$ 500		\$ 2,500.00
Supplies (office or program)	\$ 200	\$ 200		
Total BRE/R Committee Expenses	\$ 3,900	\$ 5,350	692.93	\$ 4,942.77
Finance				
Conferences/Seminars/Trainings	\$ -			
Marketing	\$ 100		148.00	
Meals/Meeting Refreshments	\$ 500	\$ 500	299.58	\$ 658.09
Mileage/Travel	\$ 100		16.20	\$ 33.35
Professional services				
General administrative services	\$ 600	\$ 650	398.75	\$ 540.00
Legal services	\$ 350	\$ 350	500.00	\$ 250.00
Supplies (office or program)				\$ 110.86
Total Finance Committee Expenses	\$ 1,650	\$ 1,500	1,362.53	\$ 1,592.30
Marketing and Public Relations				
Meals/Meeting refreshments	\$ 800	800	279.54	\$ 799.42
Media	\$ 1,300	1,600	240.00	\$ 930.00
Mileage/Travel	\$ 100		59.94	\$ 2.30
Printing, copying and publishing		8,000		\$ 7,828.10
Advertisements	\$ 2,625		398.00	
Chamber ADvantage	\$ 1,000		560.17	

Kandiyohi County City of Willmar Economic Development Commission

Date Printed: 7/26/2016

2017 Proposed Budget

	Proposed 2017	Revised 2016	6/30/2016	2015 actuals
Newsletters	\$ 5,500		2,654.12	
Professional services				
General administrative services	\$ 1,600	1,600	703.00	\$ 1,341.00
REDstar Creative	\$ 12,000	11,000	11,393.75	\$ 10,558.75
Professional services - other				
Special projects	\$ 2,000	2,000	500.00	\$ 5,851.96
Total Marketing and Public Relations Committee Expenses	26,925	25,000	16,788.52	\$ 27,311.53
Tourism/Leisure Travel				
CVB Tourism Partnership Agreement	\$ 34,000	\$ 34,000	34,000.00	\$ 34,000.00
Mileage/Travel	\$ 200	\$ 400	16.37	
Total Tourism/Leisure Travel Committee	\$ 34,200	\$ 34,400	34,016.37	\$ 34,000.00
Total Committee Expense	\$ 84,305	\$ 102,020	\$ 60,477.28	\$ 74,803.70

Kandiyohi County City of Willmar Economic Development Commission

Date Printed: 7/26/2016

2017 Proposed Budget

	Proposed 2017	Revised 2016	6/30/2016	2015 actuals
EMPLOYEE COMPENSATION				
Executive Director				
Director's salary	\$ 100,000	\$ 98,000	32,666.64	\$ 81,487.92
Director's auto allowance				\$ 6,300.00
Director's health insurance (\$850 p/mo.)	\$ 8,500	\$ 8,500	3,024.76	\$ 2,924.28
Director's payroll taxes (FICA = 6.20%; Medicare = 1.45%)	\$ 7,650	\$ 7,497	1,340.58	
Director's pension (PERA) employer rate is 7.5%	\$ 7,500	\$ 7,350	2,536.47	\$ 7,729.79
Director's sick leave and vacation payout				\$ 21,576.00
Total Executive Director's Compensation	\$ 123,650	\$ 121,347	39,568.45	\$ 120,017.99
Assistant Director				
Assistant Director's salary	\$ -	\$ 17,667		\$ 54,962.30
Asst Director's health insurance	\$ -	\$ 2,250		\$ 5,950.01
Asst Director's payroll taxes	\$ -	\$ 1,352		
Assistant Director's PERA	\$ -	\$ 1,325		\$ 4,122.11
Assistant Director's sick leave and vacation payout				
Total Assistant Director's Compensation	\$ -	\$ 22,594	\$ -	\$ 65,034.42
Business Development Specialist's position				
Business Development Specialist's salary	\$ 62,815	\$ 61,583	34,113.84	\$ 51,000.00
Business Development Specialist's health insurance	\$ 10,200	\$ 10,200	5,100.00	\$ 10,200.01
Business Development Specialist's payroll taxes	\$ 4,803	\$ 4,711		
Business Development Specialist's PERA	\$ 4,711	\$ 4,619	2,558.51	\$ 3,825.12
Total Business Development Specialist's Compensation	\$ 82,529	\$ 81,113	41,772.35	\$ 65,025.13
Accrued vacation and sick expense				
Executive Director	\$ 11,000	\$ 10,734	\$ 6,629.78	
Business Development Specialist	\$ 5,000	\$ 4,431	\$ 506.83	
Employee workers' compensation insurance	\$ 900	\$ 896	\$ 896.00	\$ 722.00
Employer payroll tax expense	\$ -	\$ -	\$ 5,211.26	\$ 16,472.45
Total other employee compensation	\$ 16,900	\$ 16,061	13,243.87	\$ 17,194.45
Total Employee Compensation	\$ 223,079	\$ 241,115	\$ 94,584.67	\$ 267,271.99
ADMINISTRATIVE EXPENSES				
MCIT property/casualty insurance	\$ 3,000	\$ 2,997	2,997.00	\$ 3,110.00
Meals not for a committee	\$ 1,500	\$ 2,500	634.10	\$ 3,141.03
Memberships, dues, subscriptions				
Subscriptions	\$ 400	\$ 400	378.98	\$ 476.98
Community Venture Network (CVN)	\$ 2,200	\$ 2,125		\$ 2,125.00
EDAM membership	\$ 395	\$ 395	395.00	
Local organizations	\$ 525	\$ 525	525.00	\$ 620.00
MAPCED membership	\$ 310	\$ 310	310.00	\$ 200.00
MN DEED Marketing Partnership dues	\$ 650	\$ 625	625.00	\$ 625.00
WORK UP membership 5/2016-5/2017	\$ 5,400	\$ 5,400	3,150.00	\$ 5,400.00
Moving Expenses Executive Director	\$ -	\$ 874	874.02	
Professional services:				
Accountant fees	\$ 1,000	\$ 1,000	606.00	\$ 228.00
Auditor	\$ 7,000	\$ 7,000	1,200.00	\$ 6,560.00
Bookkeeping fees	\$ 6,000	\$ 6,000	3,990.00	\$ 5,090.00
Executive Director search firm	\$ -	\$ 8,727	8,726.73	\$ 11,880.00
Legal fees	\$ 2,000	\$ 2,000	1,500.00	\$ 100.00
Seminars and promotions	\$ 2,000	\$ 2,000	664.09	\$ 3,499.60
Travel, conference, school	\$ 12,000	\$ 16,800	3,992.55	\$ 6,584.36
Total Administrative Expenses	\$ 44,380	\$ 59,678	30,568.47	\$ 49,639.97

Kandiyohi County City of Willmar Economic Development Commission

Date Printed: 7/26/2016

2017 Proposed Budget

	Proposed 2017	Revised 2016	6/30/2016	2015 actuals
OFFICE EXPENSES				
Cleaning person	\$ 2,700	\$ 2,600	1,175.63	\$ 2,725.32
Depreciation - furniture and equipment				
Equipment maintenance and rental				
Software (Synchronist annual fee \$1,200)	\$ 1,500	\$ 1,100	3,041.69	\$ 1,743.42
Toshiba service contract	\$ 2,000	\$ 1,500	899.73	\$ 2,196.94
Equipment maintenance and rental - other	\$ 750	\$ 750	645.81	\$ 815.51
Furniture and equipment	\$ 1,250	\$ 2,000	612.23	\$ 2,680.90
Toshiba digital color copier lease	\$ 2,100	\$ 1,667	925.82	\$ 1,554.18
Office equipment and miscellaneous	\$ 2,400	\$ 3,000	1,250.00	\$ 1,355.72
Postage, mailing service	\$ 500	\$ 500	165.00	\$ 464.93
Printing, copying and publishing	\$ 2,500	\$ 2,500	450.22	\$ 1,718.22
Professional services:				
Engineering and other professional services	\$ 6,000	\$ 9,500	20,027.50	
General administrative	\$ 58,956	\$ 57,800	27,505.09	\$ 56,082.00
Planning session facilitator	\$ 2,400	\$ 2,220	2,200.00	
Website hosting and maintenance	\$ 450	\$ 450	180.00	\$ 284.84
Professional services - other	\$ -			\$ 402.32
Rent and storage unit	\$ 22,200	\$ 22,200	11,100.00	\$ 22,250.00
Rent (water cooler, post office box)	\$ 200	\$ 200	106.75	\$ 164.60
Supplies	\$ 4,000	\$ 4,000	1,759.89	\$ 3,473.91
Telephone/Telecommunications	\$ 5,880	\$ 5,880	2,423.28	\$ 5,455.34
Other expenses			15.00	\$ 61.81
Total Office Expenses	\$ 115,786	\$ 117,867	74,483.64	\$ 103,429.96
BLANDIN WIFI GRANT EXPENSES				
Willmar Civic Center	\$ -			\$ 8,800.00
Routers (5 @ \$ approximately \$700 each)	\$ -	\$ 3,500	6,076.62	\$ 3,157.66
Data service for three years (7 x \$480 x 3)	\$ -	\$ 4,222	3,645.72	
Total WiFi Expenses	\$ -	\$ 7,722	9,722.34	\$ 11,957.66
BLANDIN HACKFEST GRANT EXPENSES				
Application development	\$ -	\$ 5,650	5,650.08	
2016 Hackfest		\$ 2,151		
IT				
Marketing		\$ 119	118.74	\$ 747.50
Meals and refreshments				\$ 732.54
Meeting space				\$ 600.00
Mileage/Travel			2.70	
Post hackfest events				
Total HackFest Expenses	\$ -	\$ 7,920	5,771.52	\$ 2,080.04
CREATING ENTREPRENEURIAL OPPORTUNITIES STUDENT LOAN EXPENSES	\$ 30,000	\$ 30,000		
Advertising/Promotions				\$ 663.54
Dinner Event and Silent Auction				
Advertising			523.99	
Decorations			1,566.43	\$ 248.01
Entertainment			750.00	
Event Food and Beverages			7,629.81	
Meals/Meeting refreshments			1,604.69	\$ 423.08
Postage			147.00	\$ 49.00
Supplies			66.46	\$ 12.80
Tradeshow			2,588.61	
Other			13.00	
Total CEO Loan Expenses	\$ 30,000	\$ 30,000	14,889.99	\$ 1,396.43
TOTAL PROGRAM EXPENSES	\$ 548,000	\$ 628,471	\$ 316,302.71	\$ 523,271.20

TAX ABATEMENT APPLICATION FORM

1. Applicant: Rockstep Willmar LLC _____
Company Name: RockStep Capital Inc. _____
Address: 1605 First Street South Willmar, MN 56201 _____
Contact Person: John Vornholt _____
Telephone Numbers: (work) 320-235-6717 (cell) 320-295-3100
Corporation ☒ Partnership ☐ Sole Proprietor ☐ Cooperative ☐
Other _____
Type of Business: Shopping Center _____
Primary Product(s)/Service(s): Retail _____

3. Tax Parcel ID No. 95-923-8640, 95-923-8632, 95-923-8631

Legal Description of Site: See attached.

Township: Willmar School District: Willmar

4. Project Description: Redevelopment of the vacant K-Mart Building (91,181 sf), Construction of a new retail pad (6,500 sf), parking lot improvements and new additional new pylon signs _____
5. Size of Proposed Structure or Expansion: 91,181 sf for redevelopment of K-Mart and 6,500 sf for new retail pad _____
6. Estimated project costs:
- a. Land acquisition \$ _____
 - b. Site development \$ _____
 - c. Building cost \$ +/- \$3,500,000 for K-Mart redevelopment
Building cost \$ +/- \$1,150,000 for New Retail Pad
 - d. Architectural/Engineering fee \$ +/- 350,000
 - e. Legal fees \$ +/- \$250,000
 - f. Off-site development costs \$ _____

g. Other _Brokerage Fees_____ \$____ +/- \$250,000_____

Other _Parking Lot Repairs and New Signs\$____ +/- \$1,000,000_____

Total: \$____ 6,500,000_____

7. Employment: Current: ____200____ Employees 3-year projection: ____260____ Employees

Payroll: Current \$ ____5,000,000____ 3-year projection \$ ____6,250,000_____

8. Project Financing Sources and Amounts:

a. Private financing institution \$____ 3,500,000_____

b. Tax abatement funds \$____ 1,500,000_____

c. Other public funds \$_____

d. Developer equity \$____ 1,500,000_____

Total: \$____ 6,500,000_____

9. Describe the financing gap to be filled by the abatement: ____Proportional for all work_____

10. Amount of Abatement Requested: \$ ____1,500,000____ * see below

*includes \$2,200,000 of added value based on assessed value from taxes payable in 2016 to 2017

11. Term of Abatement Requested (years):

Years 1-4 ____100____%

Years 5-8 ____100____%

Years 9-10 ____80____%

12. Financial Institution(s) (Applicant's Affiliation):

Name Bremer Bank_____ Address 500 Willmar Ave SE Willmar, MN 56201____

Contact Person Darin Strand Telephone 320-231-8120____

Name _____ Address _____

Contact Person _____ Telephone _____

13. Fiscal Consultant/Accountant:

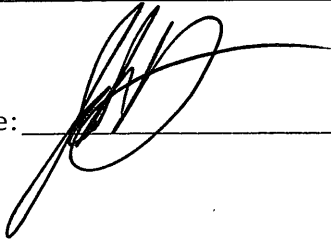
Name Ehlers and Associates Address 3060 Centre Point Drive Roseville, MN 55113

Contact Person Todd Hagen Telephone ____651-697-8508_____

14. Legal Counsel:

Name _____ Address _____

Contact Person _____ Telephone _____

Applicant Signature:  _____

Date: 7-7-16

INFORMATION REQUESTED: An Addendum shall be attached hereto addressing in detail the following:

1. A map showing the exact boundaries of proposed development.
2. A general description of the project, including size and location of building(s); business type or use; traffic information, including parking, projected vehicle counts and traffic flow; timing of the project; and estimated market value following completion.
3. The existing land use designation and zoning of the property, including a statement as to how the proposed development will conform to the land use designation.
4. A statement identifying how the increment assistance will be used and why it is necessary to undertake the project.
5. A statement identifying the public benefits of the proposal, including estimated increase in property valuation, new jobs to be created, hourly wages and other community assets.
6. A written description of the developer's business, principals, history and past projects.

PLEASE INCLUDE:

1. Preliminary financial commitment from financial institution.
2. Plans and drawing of the project.
3. Background material of the company.
4. Pro forma analysis.
5. Financial statements.
6. Statement of property ownership or control.

Information for Internal Use:

Date Application Submitted: _____

Date Presented to Kandiyohi County Board: _____

Public Hearing Held by Kandiyohi County Board: _____

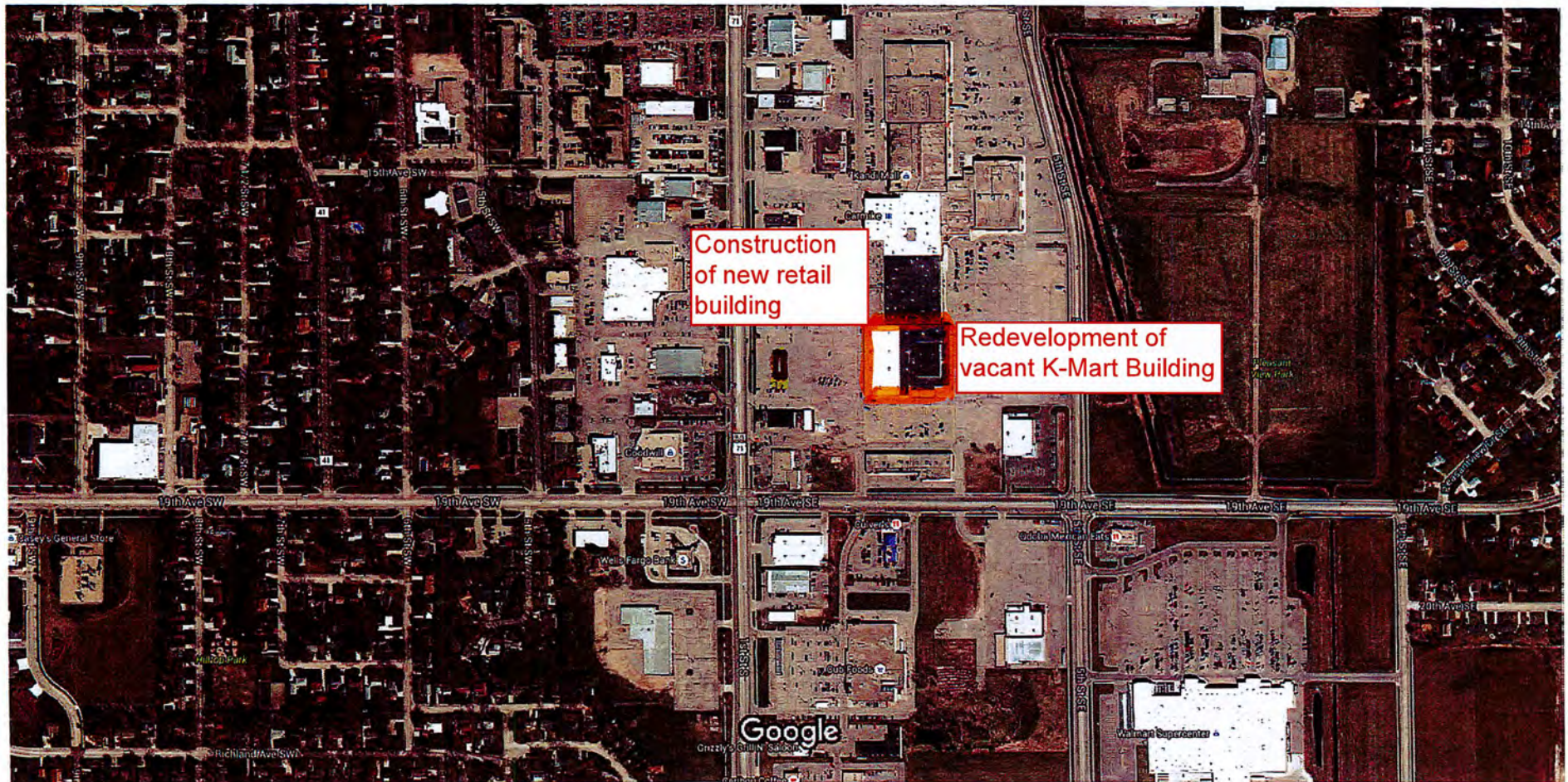
Date Presented to City Council or Township Board: _____

Public Hearing Held by City or township: _____

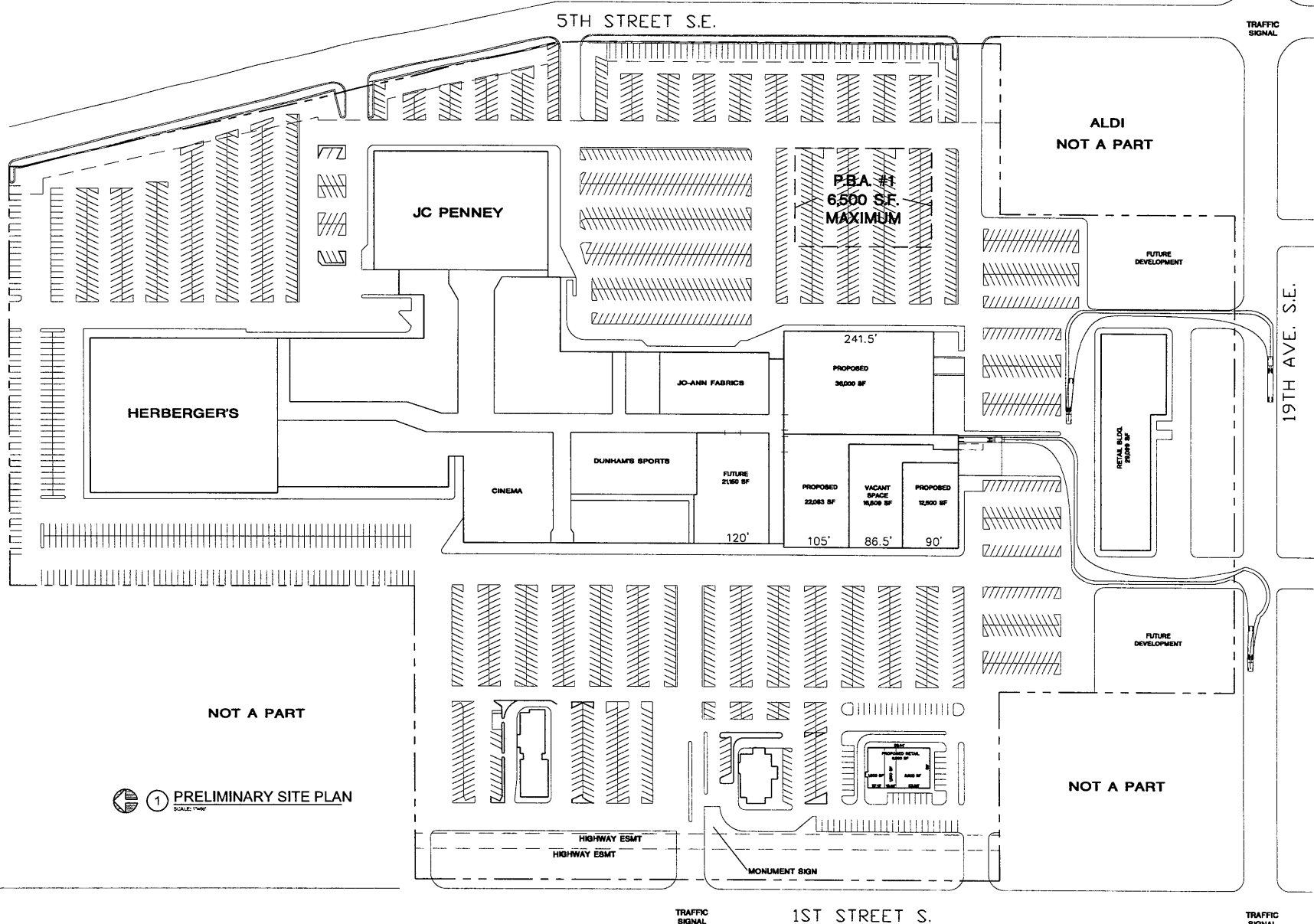
Date Presented to School Board: _____

Public Hearing Held by School Board: _____

KANDI MALL REDEVELOPMENT PROJECT



Imagery ©2016 Google, Map data ©2016 Google 200 ft

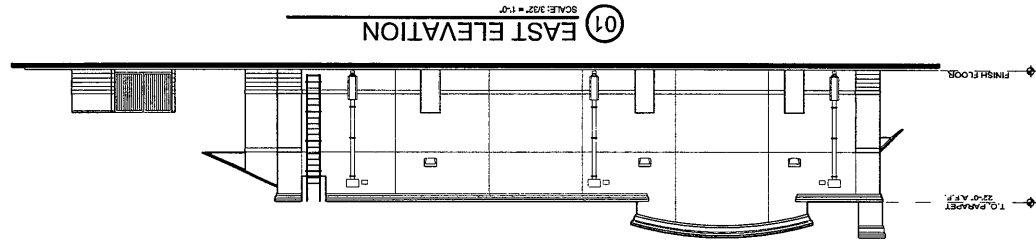


1 PRELIMINARY SITE PLAN
SCALE: 1/8" = 1'-0"

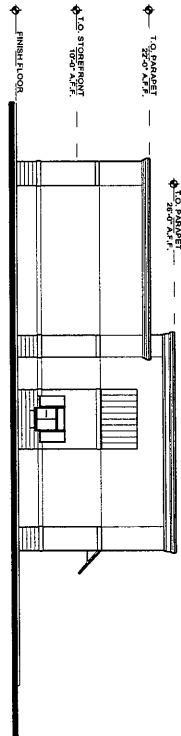
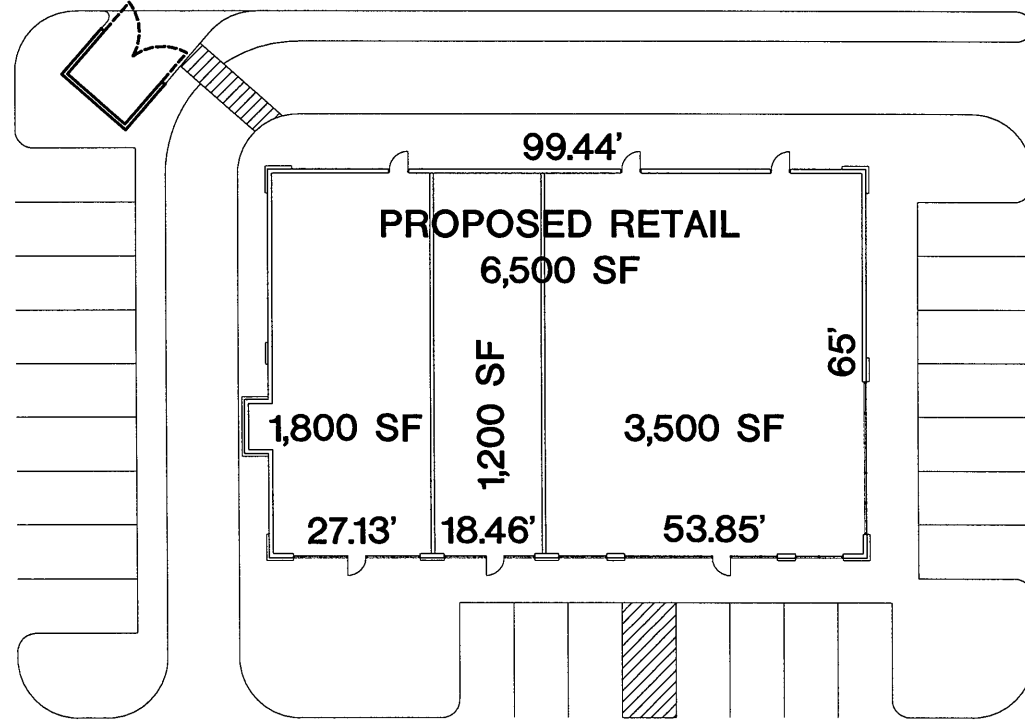
PRELIMINARY SITE PLAN
KANDI MALL
1ST STREET S AT 19TH AVE SE
WILLMAR, MN
SP-04

CDA Architects
17900 Blue Her 240, Suite 210
Houston, Texas 77064
832/678-9325 Fax 832/678-9340

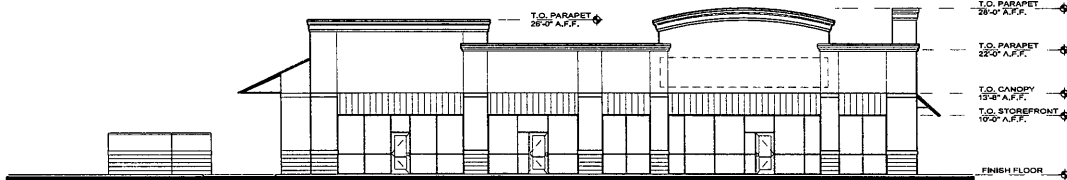
NOT FOR
RELIANCE
FOR
PERMITTING
OR
TAXING
PURPOSES
DATE: 05/22/2015



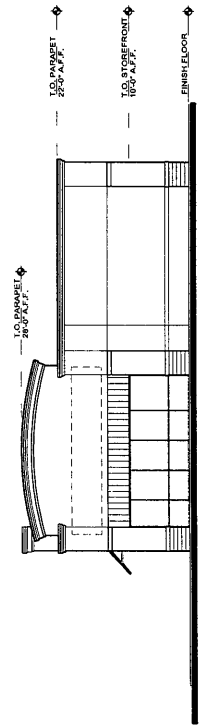
01 EAST ELEVATION
SCALE: 3/32" = 1'-0"



02 NORTH ELEVATION
SCALE: 3/32" = 1'-0"



01 WEST ELEVATION
SCALE: 3/32" = 1'-0"



03 SOUTH ELEVATION
SCALE: 3/32" = 1'-0"

KANDI MALL REDEVELOPMENT PROJECT

Kandi Mall is a regional shopping center. It is not only the largest shopping center in Willmar but is also the largest shopping center in our trade area which consists of approximately 80,000 people.

Kandi Mall is in need of significant upgrades to attract National name brand tenants. RockStep Capital with its recent purchase of Kandi Mall is committed to making \$6,500,000 in upgrades and redevelopments. In order for this project to be cost effective tax abatement is critical.

The redevelopment would add up to an additional 60 jobs to the local community along with a number of national name brand stores. The abatement funds would be used to redevelop the existing vacant K-Mart building and to add an additional outparcel building that would host three tenants. Money would also be used to make upgrades to the parking lot and add additional tenant signs to the front of the property.

This property is currently zoned SC Shopping Center District.



500 Willmar Avenue Southeast
Willmar, Minnesota 56201
phone: 320-235-1111
fax: 320-231-8149
Bremer.com

July 14, 2016

Kandiyohi County Economic Development Commission
222 20th Street SE
Willmar MN 56201

Re Rockstep Willmar LLC

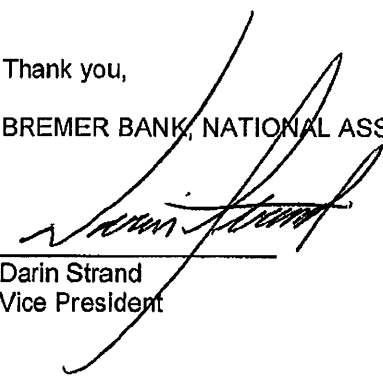
To whom it may concern,

In 2015, Bremer Bank entered into a banking relationship with Rockstep Capital and related Rockstep entities to finance the acquisition of the Kandi Mall located in Willmar, MN. Their historical performance on projects of similar size, backed by personal referrals and financial performance, made this an ideal relationship for Bremer Bank.

In addition to the acquisition financing, Bremer has made available to Rockstep, a credit line to assist in the redevelopment and construction of new space in and around the existing facility.

Thank you,

BREMER BANK, NATIONAL ASSOCIATION



Darin Strand
Vice President



RockStep Capital is a Real Estate Investment Company based out of Houston, Texas.. RockStep, founded 19 years ago, specializes in structuring investments in shopping centers that are over 100,000 square feet and focuses on secondary and tertiary markets. We look for strong communities with underdeveloped properties that are undercapitalized or undermanaged. RockStep currently operates in nine states with holdings in ten shopping centers and eight shopping malls consisting of approximately 3.5 million square feet. RockStep Capital's mission is to improve the quality of life in small town America. Using our expertise and capital we help keep the community vibrant by re-strategizing the mall with new tenants, opportunities and experiences.

We get small towns. We get retail.

Properties:

Shopping Centers:

Alpine, Alpine TX
East Wood Shopping Center, Cleveland TX
Fort Stockton, Fort Stockton TX
El Dorado, Friendswood TX
Kemah, Kemah TX
St. Landry's Plaza, Opelousas LA
Plaquemine, Plaquemine LA
Starkville, Starkville MS
Cobre Valley Shopping Center, Globe AZ
Vicksburg Plaza, Vicksburg MS

Shopping Malls:

Vicksburg Mall, Vicksburg MS
Hot Springs Mall, Hot Springs AR
Bonita Lakes Mall, Meridian MS
Hutchinson Mall, Hutchinson KS
Monument Mall, Scottsbluff NE
Aberdeen Mall, Aberdeen SD
Thunderbird Mall, Virginia MN
Kandi Mall, Willmar MN





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Monument Mall gets second life under new owners

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Posted: Friday, March 4, 2016 7:00 pm

By MAUNETTE LOEKS Digital News Editor mloeks@starherald.com

onument Mall has once again become the place to be on Saturdays.

Over the last year, Monument Mall has seen a lot of new development. Tera Willman, property manager, said.

M "The foot traffic on Saturdays has improved so much," Willman said.

In recent years, the mall had experienced some struggles. However, as it celebrates its 30th anniversary, new owners focused on redeveloping the mall have brought new life.

Willman oversees local operations of Monument Mall and has seen it in its heyday and beyond. Just a couple months after Willman started as marketing manager at Monument Mall in August 2002, Walmart left, moving across town to another location. Prior to Walmart's move, Willman said, the mall was 95 percent occupied.

"I have seen the mall at its peak — with Walmart here — and I've seen — at first not so fast — it gradually decline," Willman said. Some businesses, like Radio Shack, left the mall because their leases included riders that they could be terminated if Walmart left. Other stores left as their leases expired and foot traffic slowed.

"Some of the stores (that left) were dependent on the foot traffic that Walmart brought in," she said. "With so many stores leaving, people were wanting to come in for next to nothing and you can't do that."

In 2002, the mall was owned by Rubloff Development Group and a new group, Perkins Properties, purchased the mall in 2006. The company, owned by Michael Perkins, based out of Omaha, bought other properties including some in Rapid City, South Dakota. However, a lack of new tenants at the mall and declining property conditions meant the mall was only a shadow of its former self.



MAUNETTE LOEKS/Star-Herald

Shoppers stop at Subway during a noon lunch hour.

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Over the years, the mall has battled a number of different obstacles in the retail field, Willman said. Though Scottsbluff is cited as a regional shopping hub, many companies want to know the direct population and customer base of a community and don't consider Scottsbluff to be of adequate size. The community also is not located along an interstate, though Willman mentioned that completion of the Heartland Expressway would greatly help the mall.

"It is part of the struggles of finding new tenants," Willman said, noting that national tenants particularly have specific criteria the companies consider in selecting a location.

Industry trends are also something that the mall continues to have to work around.

"Enclosed malls are, in a lot of ways, becoming a thing of the past," Willman admits, noting the industry trend to "lifestyle malls" that are open groupings of stores.

Two years ago, RockStep Capital purchased the mall. RockStep Capital is a real estate investment company based in Houston, Texas, and founded 19 years ago. President Andy Weiner explains that the company specializes in structuring investments in shopping centers and secondary and tertiary properties.

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"We look for strong communities with underdeveloped properties — properties that were undercapitalized or under managed," Weiner said.

RockStep Capital operates in nine states and has purchased or developed over 6 million square feet of shopping centers, he said.

"Our mission as a company is to make the secondary markets better places and we do that by putting in our expertise and our capital to basically stabilize these properties, bring in new tenants and structure them to be long-lasting for the 21st century," Weiner said.

Since RockStep Capital purchased the property, the mall has been going through a revitalization. The owners presented a redevelopment plan to the City of Scottsbluff and tax-increment financing and a half-cent enhanced employment occupation tax will help spur development at the property.

When RockStep Capital purchased Monument Mall, Weiner said, it was 60 percent vacant.





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Footwear and Applebee's — have brought new *life to the* mall. They are the lifeblood of the mall, especially as it competes *with other locations*, in and out of the community.

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"Our main draw is the national tenants," Willman *The* more national tenants we have, the more people." 0

Rue 21 was the first new national tenant in Nov '14 *G+* and Famous Footwear and Applebee's joined the mall scene *in November* 2015. The opening of national tenants "has increased our *traffic* ch," she said. "All of the stores are doing fairly well."

The success of national tenants shows they *can be success*ful in the region, Weiner said. RockStep had targeted adding 10 new national and local tenants over a three-year period and has exceeded its goals.

"We have greatly exceeded our expectations for this property," he said. "The actual sales for all of these (national tenants) have exceeded projected sales and we are pleased."

National tenants are critical to stabilizing the property and validating the market for other tenants who may be on the fence about locating in the area, Weiner said. National tenants invest millions of dollars into their locations. Absent any national decline in the economy, he expects that RockStep will continue to be able to add more major retailers and restaurants to Monument Mall. RockStep also expects to see some outparcels constructed in front of the property within the next 24 months.

"We have reduced the need for shoppers to leave the region for their shopping needs ... The highlights are that it is a very steady market, it has a good really strong and loyal customer base. It is very difficult time wise and commuting cost wise (for customers) to shop in alternative locations. If they (national tenants) come here and have the right occupancy cost, which we

have given them, they can be profitable."

Mall managers continue to focus on trying to fill three large store sites — the former Sears location, former JCPenney location and 10,000 square feet that remains open on the other side of Hobby Lobby.

In some of its properties, RockStep has been successful in locating office space, community colleges, medical office groups and other non-retail companies. Multi-use properties work very well for spaces such as Monument Mall, he said.

Willman oversees the recruitment and contracts of local tenants. Some of the tenants are opening up brand new locations, expanding or relocating. Hillman works with those tenants on their contracts and a RockStep Capital manager works with national tenants. A lot goes on behind the scenes of a store opening at the mall, including working with the stores to offer incentives, making improvements, to bring them to the mall.





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brought some welcome additions to the mall for to eat. Hillman said she would also love to see : come to the mall, a kids toy store or kids' clothi same desires of shoppers who often comment Facebook page. Hillman also thinks a men's ck filling a gap that she has seen in the community Clothing Store and other stores in the communi

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ing to grab a bite :lothing stores :oing some of the ment Mall's ould do well, osing of Eric Vath e years.

"There is still stuff to be done," Willman said. "It will be in steps ... but a lot of great things have

2

n all at once. It ing here."

On Facebook, some have generated interest fc mall and Weiner said that part of RockStep's st :h of its properties is to provide activities and opportunities for children, especially because the area has inclement weather three to five months of the year. They are also interested in filling the mall common space with activities and he urged nonprofit organizations to contact Willman, whose professionalism and dedication to the mall and the community he praised.

Weiner praised the City of Scottsbluff and Platte Valley Bank in assisting Monument Mall as it moves forward in its redevelopment.

"(Purchasing Monument Mall) has been a wonderful experience for RockStep Capital," he said. "The community is first class. It is very welcoming. It is very loyal. ... We would do it (purchase the mall) again in a heartbeat. We have more work to do, but we have had a great start.

IN CASE YOU MISSED IT...



RockStep Tax Abatement - Kandi Mall Rehabilitation Project

Kandiyohi County/City of Willmar EDC, Minnesota

91,181 SF Rehab Existing Retail/6,500 SF New Retail/MV Increase - All Entities Participate

ASSUMPTIONS AND RATES

DistrictType:	Abatement	Current Total Local Tax Rate:	116.9050%	Pay 2016
First Year Construction or Inflation on Value	2016	Current CityTax Rate	34.8540%	Pay 2016
Inflation Rate - Every Year:	0.00%	Current County Tax Rate	56.1830%	Pay 2016
Interest Rate	0.00%	Current School District No. 347 Tax Rate	23.7480%	Pay 2016
Present Value Date:	1-Aug-17	Current Other Tax Rate	2.1200%	Pay 2016
First Period Ending	1-Feb-18	State-wide Tax Rate (Comm./Ind. only used for total taxes)	48.6410%	Pay 2016
Cashflow Assumes First Abatement	2018	Market Value Tax Rate (Used for total taxes)	0.13991%	Pay 2016
Assumes Last Year of Abatement	2027			
Fiscal Disparities Election [Inside, Outside or NA]	NA			
Incremental or Total Fiscal Disparities	Incremental			
Fiscal Disparities Contribution Ratio	0.0000%			
Fiscal Disparities Metro-Wide Tax Rate	0.0000%			
Term of City Abatement	10			
Term of County Abatement	10			
Term of School District Abatement	10			
School District No.	347			
Total Years of Abatement:	10			

PROPERTY TAX CLASSES AND CLASS RATES:

Exempt Class Rate (Exempt)	0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)	
First \$150,000	1.50%
Over \$150,000	2.00%
Commercial Industrial Class Rate (C/I)	2.00%
Rental Housing Class Rate (Rental)	1.25%
Affordable Rental Housing Class Rate (Aff. Rental)	0.75%
Non-Homestead Residential (Non-H Res.)	1.25%
Homestead Residential Class Rate (Hmstd. Res.)	
First \$500,000	1.00%
Over \$500,000	1.25%
Agricultural Non-Homestead	1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	95-923-8640	RockStep	Willmar			8,925,600	0%	0	Pay 2016	C/I Pref.	-	C/I Pref.	-	1
1	95-923-8632	RockStep	Willmar			205,400	0%	0	Pay 2016	C/I	-	C/I	-	1
1	95-923-8631	RockStep	Willmar			196,800	0%	0	Pay 2016	C/I	-	C/I	-	1
								0			0		0	

Note:

1. Base values are based upon review of county website on July 7, 2016.



RockStep Tax Abatement - Kandi Mall Rehabilitation Project

Kandiyohi County/City of Willmar EDC, Minnesota

91,181 SF Rehab Existing Retail/6,500 SF New Retail/MV Increase - All Entities Participate

PROJECT INFORMATION (Project Tax Capacity)												
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Sq. Ft./Units	Market Value	Property Tax Class	Project Tax Capacity	Percentage Completed 2016	Percentage Completed 2017	Percentage Completed 2018	Percentage Completed 2019	First Year Full Taxes Payable
1	Rehab Existing	38	38	91,181	3,500,000	C/I	70,000	100%	100%	100%	100%	2018
2	New Use	177	177	6,500	1,150,000	C/I	23,000	100%	100%	100%	100%	2018
3	MV Increase	2,072,200	2,072,200	1	2,072,200	C/I	41,444	100%	100%	100%	100%	2018
TOTAL					6,722,200		134,444					
Subtotal Residential				0	0		0					
Subtotal Commercial/Ind.				97,682	6,722,200		134,444					

Note:

1. Market values represent construction costs from developer on July 7, 2016 and estimated increase in existing value from county assessor from PAY 2016 to 2017. Market values must be confirmed by county assessor.

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Rehab Existing	70,000	0	70,000	81,834	0	34,049	4,897	120,779	1.32
New Use	23,000	0	23,000	26,888	0	11,187	1,609	39,685	6.11
MV Increase	41,444	0	41,444	48,450	0	20,159	2,899	71,508	71,508.10
TOTAL	134,444	0	134,444	157,172	0	65,395	9,405	231,972	

Note:

1. Taxes and abatement will vary significantly from year to year depending upon values, rates, state law and other factors which cannot be predicted.

WHAT IS EXCLUDED FROM ABATEMENT?	
Total Property Taxes	231,972
less State-wide Taxes	(65,395)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(9,405)
less Small Taxing Jurisdiction Taxes	(2,850)
less Base Value Taxes	0
Annual Gross Maximum Tax Abatement	154,322



RockStep Tax Abatement - Kandi Mall Rehabilitation Project

Kandiyohi County/City of Willmar EDC, Minnesota

91,181 SF Rehab Existing Retail/6,500 SF New Retail/MV Increase - All Entities Participate

Project Tax Capacity	Captured Tax Capacity	Combined City, County, & School Tax Rate	Maximum Annual Gross Tax Abatement	Semi Annual Gross Tax Abatement	100% City Abatement w/ Tax Rate 34.8540%	80% City Abatement w/ Tax Rate 34.8540%	100% County Abatement w/ Tax Rate 56.1830%	80% County Abatement w/ Tax Rate 56.1830%	100% School Abatement w/ Tax Rate 23.7480%	80% School Abatement w/ Tax Rate 23.7480%	Semi Annual Net Tax Abatement	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	77,161	0.5	2018	02/01/18
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	154,322	1	2018	02/01/19
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	231,482	1.5	2019	08/01/19
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	308,643	2	2019	02/01/20
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	385,804	2.5	2020	08/01/20
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	462,965	3	2020	02/01/21
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	540,125	3.5	2021	08/01/21
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	617,286	4	2021	02/01/22
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	694,447	4.5	2022	08/01/22
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	771,608	5	2022	02/01/23
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	848,768	5.5	2023	08/01/23
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	925,929	6	2023	02/01/24
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	1,003,090	6.5	2024	08/01/24
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	1,080,251	7	2024	02/01/25
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	1,157,412	7.5	2025	08/01/25
134,444	134,444	115%	154,322	77,161	23,430	-	37,767	-	15,964	-	77,161	1,234,572	8	2025	02/01/26
134,444	134,444	115%	154,322	77,161	-	18,744	-	30,214	-	12,771	61,729	1,296,301	8.5	2026	08/01/26
134,444	134,444	115%	154,322	77,161	-	18,744	-	30,214	-	12,771	61,729	1,358,030	9	2026	02/01/27
134,444	134,444	115%	154,322	77,161	-	18,744	-	30,214	-	12,771	61,729	1,419,758	9.5	2027	08/01/27
134,444	134,444	115%	154,322	77,161	-	18,744	-	30,214	-	12,771	61,729	1,481,487	10	2027	02/01/28
Total				1,543,215	374,873	74,975	604,277	120,855	255,422	51,084	1,481,487	1,481,487			
				0.00%	1,543,215	374,873	74,975	604,277	120,855	255,422	51,084	1,481,487			

DRAFT SCHEDULE OF EVENTS

KANDIYOHI COUNTY/CITY OF WILLMAR EDC CITY OF WILLMAR WILLMAR PUBLIC SCHOOLS – ISD 347 AND KANDIYOHI COUNTY, MINNESOTA

FOR THE PROPOSED ESTABLISHMENT OF A PROPERTY TAX ABATEMENT PROGRAM FOR THE KANDI MALL REHABILITATION PROJECT

AND THE GRANTING OF A BUSINESS SUBSIDY TO THE DEVELOPER

Draft as of July 15, 2016

- | | |
|----------------|--|
| July 8, 2016 | Project information (property identification numbers, detailed project description, but/for statement and a list of sources and uses of funds for drafting necessary documentation) sent to Ehlers. |
| July 11, 2016 | Ehlers conducts internal review of Tax Abatement Program. |
| July 14, 2016 | EDC requests that the City Council and the County Board call for a public hearing on the proposed establishment of a Property Tax Abatement Program for the Kandi Mall Rehabilitation Project. |
| July 28, 2016 | Property Tax Abatement request sent to the City Council's Community Development Committee. |
| August 1, 2016 | Representatives from the EDC and the Developer speak with the City Council about the proposed project.

City Council calls for a public hearing on the proposed establishment of a Property Tax Abatement Program for the Kandi Mall Rehabilitation Project.

City Council Calls for a public hearing on a Business Subsidy Agreement. |
| August 2, 2016 | Representatives from the EDC and the Developer speak with the County Commissioner representing the City of Willmar about the proposed project.

County Board calls for a public hearing on the proposed establishment of a Property Tax Abatement Program for the Kandi Mall Rehabilitation Project.

County Board calls for a public hearing on a Business Subsidy Agreement. |

DRAFT SCHEDULE OF EVENTS – PAGE TWO

KANDIYOHI COUNTY/CITY OF WILLMAR EDC CITY OF WILLMAR WILLMAR PUBLIC SCHOOLS – ISD 347 AND KANDIYOHI COUNTY, MINNESOTA

FOR THE PROPOSED ESTABLISHMENT OF A PROPERTY TAX ABATEMENT PROGRAM FOR THE KANDI MALL REHABILITATION PROJECT

AND THE GRANTING OF A BUSINESS SUBSIDY TO THE DEVELOPER

- August 8, 2016 Representatives from the EDC and the Developer speak with the School Board about the proposed project.
- School Board calls for a public hearing on the proposed establishment of a Property Tax Abatement Program for the Kandi Mall Rehabilitation Project.
- School Board calls for a public hearing on a Business Subsidy Agreement.
- August 23, 2016 Date of publication of City Abatement hearing notice (at least 10 days but not more than 30 days prior to hearing) and the awarding of a business subsidy. *[West Central Tribune publication deadline, August 19, 2016 – Ehlers will submit notice, and instructions to the newspaper by or on August 19, 2016.]*
- Date of publication of County Abatement hearing notice (at least 10 days but not more than 30 days prior to hearing) and the awarding of a business subsidy. *[West Central Tribune publication deadline, August 19, 2016 – Ehlers will submit notice, and instructions to the newspaper by or on August 19, 2016.]*
- Date of publication of School District Abatement hearing notice (at least 10 days but not more than 30 days prior to hearing) and the awarding of a business subsidy. *[West Central Tribune publication deadline, August 19, 2016 – Ehlers will submit notice, and instructions to the newspaper by or on August 19, 2016.]*
- September 6, 2016 County holds public hearing at 10:00 AM on the establishment of the Property Tax Abatement Program, and adopts resolution approving the Program. *[Ehlers will send Board packet information to the County via email by or on August 30, 2016.]*
- City Council approves the Business Subsidy Agreement with the developer.
- September 6, 2016 City Council holds public hearing at 7:00 P.M. on the establishment of the Property Tax Abatement Program, and adopts resolution approving the Program. *[Ehlers will send Council packet information to the City via email by or on August 30, 2016.]*
- City Council approves the Business Subsidy Agreement with the Developer.

DRAFT SCHEDULE OF EVENTS – PAGE THREE

KANDIYOHI COUNTY/CITY OF WILLMAR EDC CITY OF WILLMAR WILLMAR PUBLIC SCHOOLS – ISD 347 AND KANDIYOHI COUNTY, MINNESOTA

FOR THE PROPOSED ESTABLISHMENT OF A PROPERTY TAX ABATEMENT PROGRAM FOR THE KANDI MALL REHABILITATION PROJECT

AND THE GRANTING OF A BUSINESS SUBSIDY TO THE DEVELOPER

- September 12, 2016 School District holds public hearing at 4:30 PM on the establishment of the Property Tax Abatement Program, and adopts resolution approving the Program. *[Ehlers will send Board packet information to the County via email by or on September 2, 2016.]*
- School Board approves the Business Subsidy Agreement with the developer.
- September 30, 2016 City, School District, and County must add to their levy the total estimated amount of all current year abatements granted. The levy is not subject to any levy limits that apply to the County, School District, and City.

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

ANNUAL FINANCIAL REPORT

December 31, 2015

DRAFT

**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

TABLE OF CONTENTS

BOARD OF DIRECTORS.....	1
INDEPENDENT AUDITOR'S REPORT.....	2
BASIC FINANCIAL STATEMENTS:	
General Fund Balance Sheet and Governmental Activities - Statement of Net Assets.....	3
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Governmental Activities - Statement of Activities.....	4
Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance - Budgetary Comparison.....	5
Notes to Financial Statements.....	6
Report on Compliance and Internal Control Over Financial Reporting Based On and Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15
Schedule of Findings and Responses.....	17
Auditors Communication of Management Responsibilities	20

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

BOARD OF DIRECTORS

December 31, 2015

	<u>Name</u>	<u>Term Expires</u>	<u>Representing</u>
Board of Directors - Joint Powers Board			
Chair	Harlan Madsen	12/31/15	Kandiyohi Co.
Vice Chair & EDCOB Liaison	Ron Christianson	12/31/15	City of Willmar
Secretary	Doug Reese	12/31/15	Kandiyohi Co.
Treasurer	Denis Anderson	12/31/15	City of Willmar
Board Members:	Marv Calvin	12/31/15	City of Willmar
	Roger Imdieke	12/31/15	Kandiyohi Co.
Board of Directors - Operations Board			
Voting			
President	Robert P. Carlson	12/31/18	
Vice President	Linda Kacher	12/31/16	
Secretary	Gary Gilman	12/31/17	
Treasurer	Rollie Boll	12/31/18	
Board Member	Art Benson	12/31/18	
Board Member	Donna Boonstra	12/31/16	
Board Member	Kelly Terwisscha	12/31/17	
Non-voting (Ex-Officio)			
Board Member	Bruce Peterson	Annually	
Staff			
Executive Director	Aaron Backman		
Assistant Director	Connie Schmoll		



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, 2015, 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, 2015, 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 July 27, 2016 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.
July 27, 2016

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

**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, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
ASSETS			
Cash	\$ 223,124	\$ -	\$ 223,124
Certificates of deposit	361,243	-	361,243
Taxes receivable	17,500	-	17,500
Prepaid expenses	-	-	-
Rent deposits	3,600	-	3,600
Loans receivable, net of \$0 allowance	145,027	-	145,027
Capital assets, net of depreciation		12,452	12,452
Total Assets	<u>\$ 750,494</u>	<u>\$ 12,452</u>	<u>\$ 762,946</u>
LIABILITIES			
Accounts payable	\$ 593	\$ -	\$ 593
Vacation and sick leave benefits payable	1,812	-	1,812
PERA and payroll taxes payable	15,686	-	15,686
Deferred revenue - tax levy income	-	17,500	17,500
Deferred revenue - grants	-	15,560	15,560
Total Liabilities	<u>18,091</u>	<u>33,060</u>	<u>51,151</u>
FUND BALANCE			
Reserved for			
Revolving loan fund - County (\$114,825 loans outstanding)	224,052	(224,052)	
Loan receivable - HRA of Willmar	25,750	(25,750)	
Tourism development	18,262	(18,262)	
KCEO program	5,570	(5,570)	
	<u>273,634</u>	<u>(273,634)</u>	
Unreserved - Designated			
Entrepreneur's loan fund guarantees (50% reserve)	80,367	(80,367)	
Undesignated	378,402	(378,402)	
Total Fund Balance	<u>732,403</u>	<u>(732,403)</u>	
Total Liabilities and Fund Balance	<u>\$ 750,494</u>		
NET ASSETS			
Invested in capital assets		12,452	12,452
Restricted for economic development		273,634	273,634
Unrestricted		425,709	425,709
Total Net Assets		<u>711,795</u>	<u>711,795</u>
Total Liabilities and Net Assets		<u>\$ 12,452</u>	<u>\$ 762,946</u>

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

See Notes to the Financial Statements

**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, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
REVENUES			
Taxes	\$ 458,547	\$ (2,611)	\$ 455,936
Interest on investments and loans	7,449	-	7,449
Charges for services	500	-	500
Grants and miscellaneous	29,680	(15,560)	14,120
Events and programs	11,488	-	11,488
Refunds and reimbursements	1,043	-	1,043
Total Revenues	<u>508,707</u>	<u>(18,171)</u>	<u>490,536</u>
EXPENDITURES			
Administration	383,662	-	383,662
Committees and special projects	43,318	-	43,318
Events and programs	8,493	-	8,493
Capital outlays	-	-	-
Depreciation	-	2,876	2,876
Grants and donations	60,669	-	60,669
Total Expenditures / Expenses	<u>496,142</u>	<u>2,876</u>	<u>499,018</u>
Net Change in Fund Balance / Net Assets	12,565	(21,047)	(8,482)
Fund Balance / Net Assets, Beginning	<u>719,838</u>	<u>439</u>	<u>720,277</u>
Fund Balance / Net Assets, Ending	<u><u>\$ 732,403</u></u>	<u><u>\$ (20,608)</u></u>	<u><u>\$ 711,795</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.

\$ 2,611

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

2,876

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.

-

The fund records grant revenue when received. In the statement of activities, grant revenue is recorded as income when earned.

15,560

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

\$ 21,047

**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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Budget
REVENUES				
Taxes	\$ 465,000	\$ 455,000	\$ 455,936	\$ (936)
Interest on investments and loans	11,157	11,157	7,449	3,708
Charges for services	450	450	500	(50)
Grants and miscellaneous	-	38,980	14,120	24,860
Events and programs	-	-	11,488	(11,488)
Refunds and reimbursements	2,600	1,600	1,043	557
Total Revenues	479,207	507,187	490,536	16,651
EXPENDITURES / EXPENSES				
Administration	412,381	439,281	383,662	55,619
Committees and special projects	54,100	54,100	43,318	10,782
Events and programs	-	7,000	8,493	(1,493)
Capital outlays	-	-	-	-
Depreciation	-	-	2,876	(2,876)
Grants and donations	77,500	92,480	60,669	31,811
Total Expenditures / Expenses	543,981	592,861	499,018	93,843
Net Change in Fund Balance / Net Assets	(64,774)	(85,674)	(8,482)	(77,192)
Fund Balance / Net Assets, Beginning	720,277	720,277	720,277	-
Fund Balance / Net Assets, Ending	\$ 655,503	\$ 634,603	\$ 711,795	\$ (77,192)

**KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

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, 2015

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 \$12,452, and deferred revenue of \$33,060 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, 2015

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 \$2,611 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, 2015

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, 2015 and 2014 are summarized as follows:

	2015	2014
Restricted:		
Cash on Deposit	\$ 147,949	\$ 142,310
Investments, certificates of deposit	18,262	18,056
	<u>166,211</u>	<u>160,366</u>
Unrestricted: (Designated and Undesignated)		
Cash on Deposit	418,156	469,496
	<u>\$ 584,367</u>	<u>\$ 629,862</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, 2015, the EDC's deposits had a carrying amount of \$584,367 and bank balances of \$603,078. Of the bank balances, \$603,078 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, 2015

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, 2015 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, 2015**

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 \$8,193 and \$7,431 from taxpayers for tax years December 31, 2015 and 2014 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 2016 and 2015, 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, non-guaranteed, and is due in full on June 1, 2028.

	<u>2015</u>
\$	25,750

Revolving Loan Fund

Various Term notes in the initial amounts of \$25,000 to \$50,000 each (\$162,500 total), dated December 2011, December 2013, March 2014, and December 2015, requiring 60 monthly payments of \$475 to \$950 including interest at 5.25%. Matures December 2016 through December 2020.

114,825

KCEO Student Loans

Loans to student entrepreneurs in amounts of \$250 to \$600 for small business development payable within one year, non interest bearing.

4,452

TOTAL LOANS RECEIVABLE

\$	<u><u>145,027</u></u>
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**KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE B: DETAILED NOTES ON ALL FUNDS (Continued)

Assets (continued)

5. Capital Assets

Capital assets activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Leasehold improvements, furniture, and equipment	\$ 37,342	\$ -	\$ -	\$ 37,342
Less: accumulated depreciation for				
Leasehold improvements, furniture, and equipment	(22,014)	(2,876)		(24,890)
Total Capital Assets, Net	<u>\$ 15,328</u>	<u>\$ (2,876)</u>	<u>\$ -</u>	<u>\$ 12,452</u>

Depreciation expense of \$2,876 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:

Year Ending December 31	Amount
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 \$1,043 and \$1,318 refund for 2015 and 2014 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, 2015

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, 2015**

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, 2015 and 2014 were \$12,979 and \$13,374 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 loan balances under this loan program are \$160,732 at December 31, 2015 with the EDC establishing a reserve of 50% of the guarantee amount, or \$80,366.

5. Compensated Absences

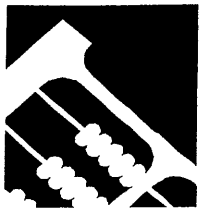
The EDC allows certain full-time employees to accumulate and carryover vacation and sick leave into the next year. The policy establishes rates of pay and limits amounts allowed for carryover.

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 July 27, 2016, 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, 2015, and have issued our report thereon dated July 27, 2016.

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.

July 27, 2016

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

YEAR ENDED DECEMBER 31, 2015

**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, 2015

**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, 2015

**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.

July 27, 2016

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, the business-type activities, the aggregate discretely presented component units, 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, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 July 27, 2016. Professional standards also require that we communicate to you 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 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 2015. We noted no transactions entered into by the Kandiyohi County & City of Willmar EDC 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.

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.

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, a disagreement with management is 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 July 27, 2016.

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 EDC'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 EDC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

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,

James M. Ruff, Inc.

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