

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)**  
**JOINT POWERS BOARD OF COMMISSIONERS MEETING**  
**MINUTES**  
**October 25, 2018**  
**EDC Office, Willmar, MN**

Present: Fernando Alvarado, Roger Imdieke, Harlan Madsen, Roland (Rollie) Nissen and Kathy Schwantes

Absent: Andrew Plowman

Guests: Donna Boonstra, President, EDC Joint Operations Board and Jim Ruff of James M. Ruff, Inc.

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

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

Chairperson Kathy Schwantes called the meeting to order at approximately 11:31 a.m.

**MINUTES**

IT WAS MOVED BY Rollie Nissen, SECONDED BY Harlan Madsen, to approve the minutes of the July 26, 2018 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**—Backman presented the financial reports for periods ending July 31, August 31 and September 30, 2018 and gave a review of the most recent financials. Backman noted assets will increase by approximately \$90,000 once the assets of the Willmar Area Multicultural Business Center (WAM-BC) are transferred to the EDC.

IT WAS MOVED BY Fernando Alvarado, SECONDED BY Rollie Nissen, to accept the Kandiyohi County and City of Willmar Economic Development Commission financial reports for periods ending July 31, August 31 and September 30, 2018, subject to audit. All present voted unanimously in favor by roll call.

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

## NEW BUSINESS

**2017 Audit.** Jim Ruff presented the Annual Financial Report dated December 31, 2017 (see attached). Ruff reported the report is a clean audit with no deficiencies being found. Due to the EDC's size, there are mild weaknesses with the EDC's internal control. Ruff informed the board that he makes changes to the EDC's raw bookkeeping to bring it up to audit standards and to conform with current standards for reporting. Ruff noted the adjustments made in 2017 were less than in prior years.

Ruff stated at the end of 2017, there was approximately \$600,000 in cash on hand and loans receivable of \$218,232, which includes the HRA Note, Revolving Loan Fund loans and KCEO loans. The only weakness was a loan that was written off. Capital assets of \$12,124 are the furniture and fixtures. There are a few liabilities at year end, which consist of unpaid bills and staff's accrued vacation and sick leave. The reserved or restricted funds total approximately \$329,595. Unreserved/Designated funds are the reserve set aside by the board for the Entrepreneurs' Loan Guarantee Fund. Undesignated reserves are approximately \$456,000. The total net assets was \$806,842. Ruff noted the EDC's 2017 budget was extremely tight with a difference of \$421 between actual revenues and what was budgeted. Ruff stated this is a good process and very positive. Total expenses were \$74,000 less than budgeted, which will move into reserves. Areas that were less than budgeted were administration, which includes rent and employees; grants and donations and the TIGER II grant. Ruff recommended the budget be tightened as to grants.

Harlan Madsen thanked Jim Ruff for his work with the EDC and being a strong asset.

IT WAS MOVED BY Rollie Nissen, SECONDED BY Fernando Alvarado, to accept the Annual Financial Report dated December 31, 2017 as prepared by James M. Ruff, Inc. All present voted unanimously in favor by roll call.

IT WAS MOVED BY Harlan Madsen, SECONDED BY Fernando Alvarado, to sign the representation letter relative to the 2017 audit. All present voted unanimously in favor by roll call.

**Ratify Joint Operations Board Action.** A six-month Certificate of Deposit at United Prairie Bank matured and the Joint Operations Board voted to redeem the CD and reinvest it at United Prairie Bank for 12 months.

IT WAS MOVED BY Fernando Alvarado, SECONDED BY Rollie Nissen, to approve redeeming Certificate of Deposit No. 50110013910 in the original amount of \$103,970.62 and reinvesting it plus the accrued interest with United Prairie Bank for 12 months at an interest rate of 2.29% APY. All present voted unanimously in favor by roll call.

**2019 Employee Health Insurance.** Backman informed the board that employee health insurance in 2018 has been \$1,028.14 per month per person. Notice was received from Blue Cross Blue Shield that premiums for 2019 will \$1,133.66 per person per month (10.3% increase) or a total of \$2,267.32 per month/\$27,207.84 annually. The EDC budgeted \$26,000 for health insurance; the difference will be paid by staff.

**Joint Operations Board Appointments.** Chair Schwantes informed the board that the terms of three members of the Joint Operations Board will expire at year end. Art Benson and Rollie Boll can be reappointed, but Bob Carlson cannot. Backman contacted Benson and Boll as to their interest in being reappointed. Benson is interested and Boll asked for a little time to think about it. Madsen suggested that a replacement for Bob Carlson would come from Roger Imdieke's district. Backman asked that new appointments be active participants in board meetings and attend on a regular basis. Chair Schwantes asked that this board's appreciation be expressed to Carlson.

**Rural Revitalization.** Backman reported a group consisting of Schwantes, Neil Linscheid and Sara Swedburg has been meeting on possible things that can be done to enhance local retail. Work is being done with the University of Minnesota (U of M) College of Design to develop a program that can be replicated in other communities. Schwantes noted there was a desire to have local retail merchandising training sessions. The group has a total estimated budget of \$24,000. A grant application has been submitted for \$4,000 to cover Linscheid's time. Backman indicated the EDC may include a contribution from the countywide economic development portion of the budget of approximately \$2,000-\$4,000. The group is in the early process, but will be looking at four to five retail businesses and holding five training sessions offering assistance in design, social media marketing and inventory management. The retailers will meet in small groups and receive training one week and the following week will apply what they learned the week before. A U of M grad student will work one-on-one with each business. This is a pilot project for the U of M, which will develop curriculum for use by other communities across the state. The local group will write a report on best practices that will be shared.

[James Ruff was excused from the meeting.]

Roger Imdieke suggested the group focus on smaller main street businesses and be sensitive about what businesses are identified to participate. Imdieke commented on the New London Merchants Group that meets and counsels each other. Backman welcomed any recommendations from the New London Merchants Group for any area business that should be included. Imdieke suggested it would be best for retailers to individually reach out to the U of M group.

## **PROGRESS REPORTS**

**Willmar/Willmar Industrial Park.** Backman reported a logistics company is interested in 14 acres in the Willmar Industrial Park. Jones Development Company of Missouri will own the property and lease it to the logistics company. Construction has started on 15<sup>th</sup> Street Flats to be completed in 2019. The Willmar City Council heard a presentation on the \$30 million Herzog housing project for the northwest side of Willmar. The Herzog development is proposed for 15 acres and will include 4 structures with 72 units each; most will be two bedroom units with some having three to four bedrooms. Eighty percent will be at market rate. Herzog will meet with the Housing Subcommittee soon. The housing outlook is improving, but currently there is less than a 2.5 month inventory of single-family housing available. A healthy housing availability should be 4-6 months or better. There is less than 2.8% vacancy on multi-family housing; to be healthy, it should be 6-8%. Connie Schmoll met with the Community Integration Center which indicated a need for housing for larger families.

## **2018 GOALS.**

**Childcare.** Schmoll reported the Child Care Innovation Project will hold a childcare appreciation event on October 31<sup>st</sup>. A childcare survey is being done in the community. A Community Conversation on Childcare will be held on November 29<sup>th</sup> at the County Health & Human Services Building. The group is looking at holding a provider recruitment event, which was suggested at the Local Government Workforce Symposium. Nissen stated he has heard from parents about the need for childcare providers for those who do not work 8:00 a.m. to 5:00 p.m. Madsen stated those who work shifts are also having a problem finding childcare.

**Diverse Business Initiative.** Backman reported the EDC is continuing to work receiving the transfer of WAM-BC's assets. Two out of the five outstanding loans have been paid off. One of the two delinquent loans signed new loan documents with the EDC and the other one has been filed in Conciliation Court.

**Opportunity Zones.** Schmoll reported she will attend a workshop on October 30<sup>th</sup> in Marshall. The webinars to date have been based more on the legal side.

**Transportation Infrastructure.** Backman reported the Highway 23 Coalition reached 100 members. Membership renewals for 2019 have started. The Coalition will hold its general membership meeting tomorrow from 11:30 to 1:00 p.m. at Little Crow Golf Resort. The featured speaker is Rep. Paul Torkelson. Thus far, 103 have registered. The Coalition is currently polling its member communities and scoring potential projects along the corridor. The Coalition has expanded its membership from Rock County to Mille Lacs County.

## **COMMITTEE HIGHLIGHTS**

**Agriculture and Renewable Energy Development.** Schmoll reported the Ag Committee hosted a talk on international trade and tariffs with approximately 80 attending. The committee will host a workshop on industrial hemp at its next meeting on November 15<sup>th</sup>. The board is invited. The \$10 fee will include a breakfast buffet.

**Broadband and Advanced Technology.** Schmoll reported she and Donna Boonstra attended the 14<sup>th</sup> Annual Broadband Conference this week, which included how to adopt the use of broadband. The Broadband and Advanced Technology Committee has been researching possible future projects and will begin developing strategies. The committee will start addressing the townships and their needs and ask what the townships are willing to do financially. Backman suggested many partners will be needed to complete a project.

**Business Retention and Expansion/Recruitment.** Backman reported the committee is interacting with the CLUES program on its diverse CNA and welding programs. Discussions are being held on holding a meet and greet between the welding graduates and area businesses. Schmoll provided information on a 12-week program done by the Neighborhood Development Center (NDC). The EDC is investigating having a local form of the NDC. The EDC's Finance Committee heard a presentation by the NDC on its program and Schmoll has attended a training session.

**Finance.** Backman reported the committee heard updates on the WAM-BC loans. The committee may need to address the interest rate for the EDC's Revolving Loan Fund Program as it is now higher than some banks.

**Marketing and Public Relations.** Backman reported the Marketing and Public Relations Committee has been working on ads and the fall newsletter, which was emailed this week.

**Other.** Nissen stated the city of Pennock has a railroad spur that would be available for a company that may be looking.

Backman informed the board he will be on vacation in Peru in January and will be gone for this board's annual meeting. Schmoll will attend the January meeting.

**ADJOURNMENT**—There being no further business,

IT WAS MOVED BY Fernando Alvarado, SECONDED BY Rollie Nissen, to adjourn the meeting.

The meeting was adjourned at approximately 1:40 p.m.

**NEXT MEETING**—The annual board meeting is 11:30 a.m., Thursday, January 24, 2019, at the EDC office.



Roland Nissen, Secretary

APPROVED: 1/24/2019:



Kathy Schwantes, Chairperson

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

**ANNUAL FINANCIAL REPORT**

**December 31, 2017**

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

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

**ANNUAL FINANCIAL REPORT**

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

**BOARD OF DIRECTORS**

**December 31, 2017**

	<u>Name</u>	<u>Term Expires</u>	<u>Representing</u>
<b>Board of Directors - Joint Powers Board</b>			
Chair	Harlan Madsen	12/31/17	City of Willmar
Vice Chair & EDCOB Liaison	Kathy Schwantes	12/31/17	Kandiyohi Co.
Secretary	Roland Nissen	12/31/17	Kandiyohi Co.
Treasurer	Andrew Plowman	12/31/17	City of Willmar
Board Members:	Roger Imdieke	12/31/17	Kandiyohi Co.
	Fernando Alvarado	12/31/17	City of Willmar
 <b>Board of Directors - Operations Board</b>			
<b>Voting</b>			
President	Donna Boonstra	12/31/19	
Vice President	Gary Gilman	12/31/17	
Secretary	Art Benson	12/31/18	
Treasurer	Roland Boll	12/31/18	
Board Member	Robert Carlson	12/31/18	
Board Member	Lester Heitke	12/31/19	
Board Member	Kelly Terwisscha	12/31/17	
 <b>Non-voting (Ex-Officio)</b>			
Board Member	Bruce Peterson	Annually	
 <b>Staff</b>			
Executive Director	Aaron Backman		
Business Development Director	Connie Schmoll		





# JAMES M. RUFF, INC.

CERTIFIED PUBLIC ACCOUNTANT & CONSULTANTS

JAMES M. RUFF, CPA

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Kandiyohi County and City of Willmar Economic Development Commission (EDC) as of and for the year ended December 31, 2017, 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, 2017, 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 September 10, 2018 on our consideration of the Kandiyohi County and City of Willmar Economic Development Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*James M. Ruff, Inc.*

JAMES M. RUFF, INC.

September 10, 2018

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

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**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, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<b>ASSETS</b>			
Cash	\$ 393,884	\$ -	\$ 393,884
Certificates of deposit	197,634	-	197,634
Taxes receivable	16,030	-	16,030
Prepaid expenses	2,056	-	2,056
Rent deposits	3,600	-	3,600
Loans receivable, net of \$7,767 allowance	218,232	-	218,232
Capital assets, net of depreciation	-	12,124	12,124
Total Assets	<u>\$ 831,436</u>	<u>\$ 12,124</u>	<u>\$ 843,560</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 3,158	\$ -	\$ 3,158
Vacation and sick leave benefits payable	17,280	-	17,280
PERA and payroll taxes payable	-	-	-
Deferred revenue - tax levy income	-	16,030	16,030
Rent deposit	250	-	250
Total Liabilities	<u>20,688</u>	<u>16,030</u>	<u>36,718</u>
<b>FUND BALANCE</b>			
Reserved for			
Revolving loan fund - County (\$175,082 loans outstanding)	269,814	(269,814)	
Loan receivable - HRA of Willmar	25,750	(25,750)	
Tourism development	13,262	(13,262)	
KCEO program	20,769	(20,769)	
	<u>329,595</u>	<u>(329,595)</u>	
Unreserved - Designated			
Entrepreneur's loan fund guarantees (50% reserve)	25,262	(25,262)	
Undesignated	455,891	(455,891)	
Total Fund Balance	<u>810,748</u>	<u>(810,748)</u>	
Total Liabilities and Fund Balance	<u>\$ 831,436</u>		
<b>NET ASSETS</b>			
Invested in capital assets		12,124	12,124
Restricted for economic development		329,595	329,595
Unrestricted		465,123	465,123
Total Net Assets		<u>806,842</u>	<u>806,842</u>
Total Liabilities and Net Assets		<u>\$ 12,124</u>	<u>\$ 843,560</u>

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

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

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE AND GOVERNMENTAL ACTIVITIES-STATEMENT OF ACTIVITIES  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL**

For The Year Ended December 31, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<b>REVENUES</b>			
Taxes	\$ 496,827	\$ 1,900	\$ 498,727
Interest on investments and loans	11,600	-	11,600
Charges for services	466	-	466
Grants and miscellaneous	15,763	-	15,763
Events and programs	37,861	-	37,861
Refunds and reimbursements	1,162	-	1,162
Total Revenues	<u>563,679</u>	<u>1,900</u>	<u>565,579</u>
<b>EXPENDITURES</b>			
Administration	353,470	-	353,470
Committees and special projects	57,318	-	57,318
Events and programs	23,049	-	23,049
Capital outlays	4,398	(4,398)	-
Depreciation	-	2,649	2,649
Grants and donations	55,759	-	55,759
Loan guarantees	-	-	-
Total Expenditures / Expenses	<u>493,994</u>	<u>(1,749)</u>	<u>492,245</u>
Net Change in Fund Balance / Net Assets	69,685	3,649	73,334
<b>Fund Balance / Net Assets, Beginning</b>	<u>741,063</u>	<u>(7,555)</u>	<u>733,508</u>
<b>Fund Balance / Net Assets, Ending</b>	<u><u>\$ 810,748</u></u>	<u><u>\$ (3,906)</u></u>	<u><u>\$ 806,842</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.

\$ 1,900

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

(2,649)

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.

4,398

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

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

\$ 3,649

**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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Budget</u>
<b>REVENUES</b>				
Taxes	\$ 498,750	\$ 498,750	\$ 498,727	\$ (23)
Interest on investments and loans	9,120	9,120	11,600	2,480
Charges for services	1,180	1,180	466	(714)
Grants and miscellaneous	4,200	22,700	15,763	(6,937)
Events and programs	30,000	30,000	32,861	2,861
Rents, refunds and reimbursements	1,250	4,250	6,162	1,912
Total Revenues	<u>544,500</u>	<u>566,000</u>	<u>565,579</u>	<u>(421)</u>
<b>EXPENDITURES / EXPENSES</b>				
Administration	387,695	389,375	353,470	(35,905)
Committees and special projects	46,805	50,305	57,318	7,013
Events and programs	30,000	30,000	23,049	(6,951)
Depreciation	-	-	2,649	2,649
Grants and donations	80,000	96,700	55,759	(40,941)
Loan guarantees	-	-	-	-
Total Expenditures / Expenses	<u>544,500</u>	<u>566,380</u>	<u>492,245</u>	<u>(74,135)</u>
Net Change in Fund Balance / Net Assets	-	(380)	73,334	73,714
<b>Fund Balance / Net Assets, Beginning</b>	<u>733,508</u>	<u>733,508</u>	<u>733,508</u>	<u>-</u>
<b>Fund Balance / Net Assets, Ending</b>	<u>\$ 733,508</u>	<u>\$ 733,128</u>	<u>\$ 806,842</u>	<u>\$ 73,714</u>



**KANDIYOHI COUNTY AND CITY OF WILLMAR  
ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**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.

**KANDIYOHI COUNTY AND CITY OF WILLMAR  
ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**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 \$12,124, and deferred revenue of \$16,030 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, 2017**

**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. A decrease in revenues of \$1,900 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>
Computers, 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, 2017**

**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, 2017 and 2016 are summarized as follows:

<b>Restricted:</b>	2017	2016
Cash on Deposit	\$ 145,679	\$ 153,733
Certificates of deposit	13,262	18,262
	<u>158,941</u>	<u>171,995</u>
<b>Unrestricted: (Designated and Undesignated)</b>		
Cash on Deposit and certificates of deposit	432,577	346,806
	<u>\$ 591,518</u>	<u>\$ 518,801</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, 2017, the EDC's deposits had a carrying amount of \$591,518 and bank balances of \$598,592. Of the bank balances, \$553,632 was covered by federal depository insurance and \$44,960 in 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, 2017**

**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, 2017 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, 2017**

**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 \$8,233 and \$7,342 from taxpayers for tax years December 31, 2017 and 2016 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 2018 and 2017, 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

2017

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.

\$ 25,750

Revolving Loan Fund

Various Term notes in the initial amounts of \$25,000 to \$50,000 each (\$250,500 total), dated December 2011 through November 2017, requiring 60 monthly payments of \$475 to \$950 including interest at 5.25 to 6.25%. Matures December 2016 through November 2022.

175,082

Entrepreneurs Loan Guarantee Program

Note receivable in the original amount of \$7,980 with \$250 monthly payments including interest at 5.5% (currently in default).

7,767

KCEO Student Loans

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

17,400

TOTAL LOANS RECEIVABLE

225,999

RESERVE FOR UNCOLLECTIBLE LOANS

(7,767)

NET LOANS RECEIVABLE

\$ 218,232

**KANDIYOHI COUNTY AND CITY OF WILLMAR  
ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE B: DETAILED NOTES ON ALL FUNDS (Continued)**

Assets (continued)

5. Capital Assets

Capital assets activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Leasehold improvements, furniture, and equipment	\$ 37,342	\$ 4,398	\$ -	\$ 41,740
Less: accumulated depreciation for				
Leasehold improvements, furniture, and equipment	(26,967)	(2,649)		(29,616)
Total Capital Assets, Net	<u>\$ 10,375</u>	<u>\$ 1,749</u>	<u>\$ -</u>	<u>\$ 12,124</u>

Depreciation expense of \$2,649 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
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 \$1,162 and \$1,265 refund for 2017 and 2016 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, 2017**

**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, 2017**

**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, 2017 and 2016 were \$12,211 and \$13,777 respectively.

4. Contingent Liabilities

The Kandiyohi County and City of Willmar EDC has entered into various 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 \$91,523 at December 31, 2017 with the EDC establishing a reserve of 50% of the guarantee amount, or \$45,762.

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 2015 a three-year partnership agreement for \$34,000 annually to fund the Willmar Lakes Area Convention and Visitors Bureau for tourism-related services. Prior to year end the EDC had committed to a \$30,000 Revolving Loan Fund to be disbursed during 2018.

7. Line of Credit Agreement

The EDC has an unused line of credit agreement limited to \$25,000 dated August 2017 & maturing August 2018.

**NOTE C: EVALUATION OF SUBSEQUENT EVENTS**

The Kandiyohi County and City of Willmar EDC has evaluated subsequent events through September 10, 2018, 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, 2017, and have issued our report thereon dated September 10, 2018.

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.

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### **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**

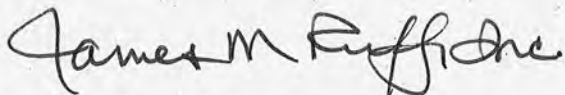
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included tests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

September 10, 2018



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

**YEAR ENDED DECEMBER 31, 2017**

**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 2016-1, 2015-1 and 2014-1**

**Condition:**

Non-budgeted expenses, commitments, and recurring revenues - for 2016 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 2016-1, 2015-1 and 2014-1**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

During 2017 and future years 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 2017.

**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, 2017**

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

**Finding 2016-2, 2015-2 and 2014-2**

**Condition:**

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

**Questioned Costs:**

None

**Context:**

As examples during 2016, 2015, 2014, and prior years, certain expenditures (e.g. loan write off of \$23,254 for 2016, accrued sick and vacation for 2015 and 2014) were posted directly to fund balance or reserve accounts. During 2015, 2014, and prior years, 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 2016-2, 2015-2 and 2014-2**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

Monthly balance sheets and income statements 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 (LAA) was hired to act as fiscal host. Auditor will work with new fiscal host (LAA) to ensure completeness and accuracy of year end statements for 2017 and future years.

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

**YEAR ENDED DECEMBER 31, 2017**

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

**Finding 2016-2, 2015-2 and 2014-2 (continued)**

**Officer Responsible for Ensuring CAP:**

Executive Director, Assistant Director, Treasurer, and fiscal host (LAA).

**Planned Completion Date:**

Monthly during 2017.

**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.



# JAMES M. RUFF, INC.

CERTIFIED PUBLIC ACCOUNTANT & CONSULTANTS

JAMES M. RUFF, CPA

September 10, 2018

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, 2017. 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 September 10, 2018. 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 2017. 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.

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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 September 10, 2018.

#### *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.



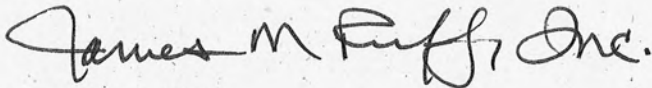
*Other Audit Findings or Issues*

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,

A handwritten signature in cursive script that reads "James M. Ruff, Inc.".

James M. Ruff, Inc.