

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)
JOINT POWERS BOARD OF COMMISSIONERS MEETING
MINUTES
October 26, 2023
EDC Board Room, Willmar and Via Zoom Video Conference

Present: Julie Asmus, Corky Berg, Vicki Davis, Steve Gardner, Roger Imdieke and Doug Reese

Staff: Aaron Backman, Executive Director

Guest: Kathryn Leys, University of Minnesota Extension, and Scott Westberg, Westberg Eischens

Media: Jennifer Kotila, West Central Tribune

Secretarial: Nancy Birkeland, Legal & Administrative Assistants, Inc.

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

AGENDA—Added to the agenda under New Business was the agreement with the Willmar Lakes Area Convention and Visitors Bureau (CVB).

IT WAS MOVED BY Doug Reese, SECONDED BY Vicki Davis, to approve the Agenda as revised and the following Consent Agenda:

CONSENT AGENDA

- Approve:
1. Minutes of July 27, 2023
 2. Financial reports as of July 31, August 31 and September 30, 2023
 3. Payment of invoice for Job No. 23-615 from Bonnema Runke Stern Inc. in the amount of \$7,986.50 from Office Expenses/Professional Services/Engineering and other services to be reimbursed by the City of Willmar
 4. Ratification of Joint Operations Board actions:
 - a. Childcare forgivable loans itemized on the September 30, 2023 Balance Sheet and to Sarah Minnick in the amount of \$2,039.48
 - b. Entering into a License Agreement and purchasing a CRM Enterprise License in the total amount of \$11,095, which includes an Outlook Integration Module at a one-time fee of \$875 and a survey/mail campaign module at a one-time fee of \$3,500 to be paid from reserve funds and that the expense be added to the 2023 budget under Office Expenses/Equipment Maintenance and Rental/Software
 - c. Loan to Pink Apron Bakery LLC under the Kandiyohi County and City of Willmar Economic Development Commission's Microenterprise Loan Fund in the amount of \$12,500 at 6.5% interest with a six-year term and second security position behind Southwest Initiative Foundation in the equipment
 - d. Loan to Intuition Brewing, LLC under the Kandiyohi County and City of Willmar Economic Development Commission's Revolving Loan Fund in the amount of \$40,000 at 7.5% interest for a term of seven years and second security position under a UCC Financing Statement behind Heritage Bank, N.A. with interest-only payments for the first three months

- Receive: Joint Operations Board/Committee/Subcommittee Minutes
1. Joint Operations Board 7/13, 8/10 and 9/14/2023
 2. Agriculture and Renewable Energy Development 7/20 and 8/17/2023
 3. Broadband and Advanced Technology 7/10, 8/7 and 9/11/2023
 4. Business Retention and Expansion/Recruitment 6/14/2023
 5. Finance 8/8/2023
 6. Marketing and Public Relations 7/24, 8/28 and 9/5/2023
 7. Leisure Travel 6/5/2023

All present voted unanimously in favor by roll call.

NEW BUSINESS

2022 Audit. Scott Van Buren of Westberg Eischens presented the 2022 audit (see attached) noting this year the EDC saw implementation of the reporting model adopted by the Governmental Accounting Standards Board (GASB), where assets have a related liability. Westberg noted there will be extra debt due to the lease obligation. Page 9 shows that 88.5% of the revenue is from the tax levy and page 10 shows the major expenses are salaries and benefits. Net assets increased, which is mainly due to the building lease being listed as an asset of \$125,000. Westberg noted the EDC is in a very strong financial position as shown on p. 11 with assets of \$1,048,859. Total fund balance is noted on p. 16. Westberg stated the EDC is fully insured and collateralized so there are no issues as to its funds. Budget comparisons are shown on p. 27 and show revenues and expenditures were less than budgeted. Internal control findings have been the same three as reported in the past due to the small staff and being unable to segregate duties. Westberg stated it is the responsibility of the EDC boards to review the financials and ask questions. Westberg noted the auditor drafted the financial statements and made three adjustments that exceeded materiality, but were not out of the norm. The governance letter shows the net adjustments that were made. Overall, the EDC is in a good financial position and nothing was noted out of the norm. Backman noted it has been good to work with Westberg Eischens in the audit process.

IT WAS MOVED BY Steve Gardner, seconded by Doug Reese, to accept the 2022 audit as presented. All present voted unanimously in favor by roll call.

[Westberg was excused from the meeting.]

Child Care Community Coordinator. Backman noted it has been good to work with Tanna Stucky, who is employed by United Community Action Partnership. Stucky has been at the EDC part time for three weeks and jumped right in to working on childcare initiatives and programming. She is attending a meeting out of town today and will join the Board meeting when she is available.

Office Location. Backman introduced Barbara Marks of Engan Associates, who has been assisting the EDC with office needs associated with possible relocation. Marks noted she was initially contacted by Sarah Swedburg in regard to the EDC's office needs. Two locations have been looked at Appletree Square and Heritage Bank. Marks met with staff and board chairs and vice chair as to what items mattered as to synergy, building envelope, impression, ease of access, location, etc. Swedburg obtained input from the Joint Operations Board at its last meeting. Marks visited both locations and found that neither location has bathrooms that are ADA compliant. Marks distributed her worksheet with the rankings on the locations (see attached). Both owners are willing to work with the EDC on its needs. Backman indicated the current lease with the Elks is for 1,500 square feet; Appletree Square has 2,840 square feet available and Heritage Bank has 3,665 square feet. Discussions included an education/meeting space and possibly having other

organizations sharing space with the EDC. Marks indicated there are several questions the EDC needs to answer to determine whether or not to relocate: Do we know what our why is? Are the partnerships real? Is the goal to be co-located with others? Is the education aspect real? Can records be digital or is space needed for paper? Marks noted that paper requires a bigger footprint than digital. She stated this is a starting point and not an end point in looking at office space. She evaluated the two sites and 22 items are a wash between the two noting the Heritage Bank location has a slight edge over Appletree Square. In Marks' opinion, the EDC should determine if partnerships and education needs are required.

[Tanna Stucky joined the meeting.]

Child Care Community Coordinator. Stucky introduced herself to the board and referred to her report (see attached). Stucky stated she started in her new position on October 10th and has been working on the mentorship initiative related to the forgivable loans. She has met with a few potential childcare centers and private providers and is working on new goals for the Rural Child Care Innovation Program. Backman noted Kelsey Olson and Stucky are sharing an office at present and he is very pleased to have her assistance with childcare. Stucky noted she is at the EDC office 16 hours a week and the rest of the time offices out of her home in Cosmos and travels.

Backman noted that Swedburg is attending the annual Rising Tide Capital Partners Summit in New Jersey.

[Stucky was excused from the meeting.]

Office Location Continued. Backman noted he had communication from the Elks that there would be a 35% rent increase once the EDC's lease ends on November 30, 2024. Staff looked at holistic and long-term space options, possibly in partnership with other organizations, and determined the assistance of Engan & Associates would be beneficial. Two potential locations came to the forefront, Appletree Square and Heritage Bank. Backman had additional discussions with the Elks and was transparent about looking at other options, which resulted in the Elks possibly reducing its increase per month and possibly leasing additional space to the EDC. Backman noted the Elevate classes cannot be held at the EDC due to size so the EDC rents space offsite. Several EDC committees and the Joint Operations Board also cannot meet at the EDC due to space. Marks noted she met with Dion Warne and Ross Magnuson about the two locations. Both discussed updating the bathrooms, exterior entrances and signage and remodeling the interiors. Marks feels the EDC needs more definition of who it wants to be; if education is a growth area, it needs to be considered. The board toured the additional space that may be available at the Elks location. Staff noted that ease of getting from and to the current location is a plus.

[Marks was excused from the meeting.]

2021 Retail Trade Analysis. Kathryn Leys, University of Minnesota (U of M) Extension Educator, was introduced and presented the 2021 Retail Trade Analysis: Willmar and Kandiyohi County (see attached). Leys noted the information comes from state sales tax data and is normally a lag of two-years. She noted there was a decline in three areas: lodging, amusement and electronics. All other areas were strong in Willmar. An indicator of strong industries is if the sales changes are 20-35%. The areas in that range were building materials (39.9%), clothing (37.0%), personal services (35.4%), leisure goods (33.1%), repair services (29.5%), health and personal (21.8%) and gas and convenience (21.2%). A pull factor of 1 is what is expected, above that the sales were more than expected. Pull factors are based on income and population compared to the state income and population. In 2019, the overall pull factor for Kandiyohi County was slightly down. Leys recommended the EDC keep an eye on the pull factor as changes could be made that would affect it. Taxable sales vs. gross sales are not verified by the state; self reported only. Sales decreased by 5.4%, but increased between 2020 and 2021. Fewer businesses may have led to the decrease in sales tax. Sales are relatively stable. Trends in building materials has a significantly high pull factor of

nearly 4.0; gas and convenience is also increasing and could possibly be attributed to Kwik Trip. Food sales are groceries and have been relatively stable since 2015 with a pull factor above 1; eating and drinking increased as well, which is surprising in light of COVID. Leys noted Willmar is a healthy regional center where people go to stay and purchase building materials. General merchandise and electronics tend to go down due to online sales. The retail sector in Willmar is very strong, 58% higher overall. As to the comparisons on pages 19 and 20, she would probably remove North Mankato as it does not have stores in every category.

Willmar had the strongest growth in the county in the retail report. The county is also seeing growth, but not as much as Willmar. Willmar had 73% of the sales, but it is only 46% of the businesses in the county. Local option sales taxes are not included in this report. Retail/service sales went up almost 9% in the county. The trend is starting to go up and Leys recommends keeping an eye on it. The county had more increases between 2019 and 2021. Leisure goods had a 200% increase and building materials also went up significantly. ATVs, RVs and campers that are hauled are included under leisure goods. The pull factor is much lower than Willmar's. Repair services is high. Comparisons were made to the neighboring counties of Stearns, Renville, Meeker, Swift and Chippewa.

Willmar Wye Award Presentation. Jon Huseby, District 8 Engineer with the Minnesota Department of Transportation was introduced and showed a video on the Wye project. Huseby presented the EDC with an American Association of State Highway and Transportation Officials America's Transportation Award for completing the Willmar Wye project, a true public/private partnership. The project received a \$10 million TIGER grant. Huseby noted it was the only project that was rail-driven. A copy of the award will also be presented to Kandiyohi County and the City of Willmar.

2024 Health Insurance. An estimate of \$2,344.17 was received from BlueCross BlueShield for 2024, which is close to the current year's premium of \$2,258.18.

IT WAS MOVED BY Roger Imdieke, SECONDED BY Doug Reese, to approve renewal of employee health insurance coverage in 2024 with BlueCross BlueShield of Minnesota, BlueAccess HSA Gold \$2600 Plan 653. All present voted in favor unanimously by roll call vote.

Tourism Partnership Agreement. Backman noted the Willmar Lakes Area Convention & Visitors Bureau board agreed to the new Partnership Agreement (see attached) and amounts and only asked that the agreement be changed as to notice of termination from September 30 to August 1.

IT WAS MOVED BY Steve Gardner, SECONDED BY Doug Reese, to approve the Tourism Partnership Agreement as presented. Those voting in favor by roll call were: Asmus, Berg, Davis, Gardner and Reese. Imdieke voted against. MOTION CARRIED.

UNFINISHED BUSINESS

Certificate of Deposit. Backman informed the board that the Certificate of Deposit being held by United Prairie Bank that matured in October was reinvested with Citizens Alliance Bank for six months.

REPORTS AND COMMITTEE HIGHLIGHTS

Economic Development Activity. Backman provided highlights on activity in the past quarter, including a plot for 13.67 acres in Willmar Industrial Park being sold to Duinick Concrete. He submitted a proposal to a manufacturing project that requires rail and another proposal is due tomorrow.

Elevate Community Business Academy. Backman provided information on the Elevate program. Graduation will be in December at Ridgewater College with an RSVP required. An alumni group has been created. The EDC will be looking at fundraising for the future. See Swedburg's written report attached.

Child Care Economic Development Grant. Backman noted that approximately half of the grant funds have been spent. Forgivable loans have been issued and are noted on the EDC's Balance Sheet. It is hoped new providers will be found that will access the program.

Main Street Economic Revitalization Program. Approximately 37 or 38 projects were awarded funds and many are moving along.

Marketing and Communications. Backman highlighted information from Kelsey Olson's written report (see attached). Discussion was held on a proposed new marketing name for the EDC. Backman noted there has been feedback on the proposed names, all of which eliminate Willmar from the name. Willmar officials have voiced concern about removing Willmar from the name. Backman noted the legal name will remain the same; the change is to shorten the name and for marketing purposes. It was the consensus of the board to survey all EDC committees and the two boards with the proposed names plus an option of no change. The board agreed to hold a special meeting if needed to make a final decision.

ADJOURNMENT—There being no other business,

IT WAS MOVED BY Steve Gardner, SECONDED by Corky Berg, to adjourn the meeting.

The meeting was adjourned at approximately 2:23 p.m.

NEXT MEETING—The annual meeting is **11:30 a.m., Thursday, January 25, 2024** at the EDC office and via Zoom video conference.


George (Corky) Berg, Secretary

APPROVED: 1/25/2024:


Steve Gardner, Vice Chairperson

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

ANNUAL FINANCIAL REPORT

**YEAR ENDED
December 31, 2022**

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**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
BOARD OF DIRECTORS
December 31, 2022**

| <u>Position</u> | <u>Name</u> | <u>Term Expires</u> | <u>Representing</u> |
|---|------------------------|---------------------|---------------------|
| Board of Directors – Joint Powers Board | | | |
| Chair & EDCOB Liaison | Julie Asmus | 12/31/2022 | City of Willmar |
| Vice-Chair | Steve Gardner | 12/31/2022 | Kandiyohi County |
| Secretary | George Berg | 12/31/2022 | Kandiyohi County |
| Treasurer | Vicki Davis | 12/31/2022 | City of Willmar |
| Board Member | Marv Calvin | 12/31/2022 | City of Willmar |
| Board Member | Rolland Nissen | 12/31/2022 | Kandiyohi County |
| Board of Directors – Operations Board | | | |
| President | Art Benson | 12/31/2024 | |
| Vice President | Jesse Gislason | 12/31/2024 | |
| Secretary | Donna Boonstra | 12/31/2022 | |
| Treasurer | Kelly TerWisscha | 12/31/2023 | |
| Board Member | Abdulcadir Abucar Gaal | 12/31/2023 | |
| Board Member | Lester Heitke | 12/31/2022 | |
| Board Member | Mary Warszynski | 12/31/2024 | |
| Ex-Officio | Vicki Davis | Annually | |
| Ex-Officio | Justice Walker | Annually | |



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of the Kandiyohi County and City of Willmar Economic Development Commission (EDC), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Kandiyohi County and City of Willmar Economic Development Commission's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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*, as issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Kandiyohi County and City of Willmar Economic Development Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kandiyohi County and City of Willmar Economic Development Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Kandiyohi County and City of Willmar Economic Development Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kandiyohi County and City of Willmar Economic Development Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of proportionate share of net pension liability, and schedule of employer contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Board of Directors but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, as we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2023, on our consideration of the Kandiyohi County and City of Willmar Economic Development Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kandiyohi County and City of Willmar Economic Development Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kandiyohi County and City of Willmar Economic Development Commission's internal control over financial reporting and compliance.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

October 24, 2023

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022**

Introduction

The Kandiyohi County and City of Willmar Economic Development Commission (EDC) was established on July 1, 2003, by a joint powers agreement between Kandiyohi County and the City of Willmar by resolution pursuant to 1989 Minnesota Laws, First Special Session, Chapter 1, Article 17. The EDC was set up to encourage, attract, promote, and develop economically sound industry and commerce within the County and City.

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

Among the significant activities of the EDC are:

- Providing gap loans (or subordinate loans) to small businesses in Kandiyohi County.
- Providing technical and financial assistance to businesses of all sizes.
- Assisting entrepreneurs to start a business, including diverse business owners through the Elevate Community Business Academy.
- Marketing efforts to promote the Kandiyohi County area to existing and prospective businesses locally, regionally, and nationally, including through social media marketing.
- Undertaking Business, Retention, and Expansion (BRE) surveys to better understand local business needs.
- Continuing to support feasibility studies for new agricultural ventures both in terms of money and staff time.
- Continuing to plan for and hold ag-related events (e.g. in 2022 the Partners in Ag Innovation Conference).
- Supporting partners in major infrastructure efforts (e.g. Willmar Railroad Wye; Hwy 23 Coalition; Industrial Park expansions in the county, etc.).
- Continuing to provide leadership on the development of affordable housing projects.
- Continuing to provide support for a variety of housing, including senior housing, multi-family rental units, single-family homes, market-rate housing, etc.
- Supporting private and public partners to address the need for adequate childcare throughout Kandiyohi County.
- Supporting workforce events and programs in Kandiyohi County (e.g. West Central MN Area Job Fair and the CLUES workforce programs).
- Supporting private and public partners to extend high-speed broadband to all parts of Kandiyohi County.

The EDC presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2022, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, issued June 1999.

The EDC's December 31, 2022 annual financial report consists of two parts – the management's discussion and analysis and the basic financial statements (which include notes to those financial statements).

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022**

Financial Highlights

Under GASB 34, the Kandiyohi County and City of Willmar Economic Development Commission's single government activities financial statements for December 31, 2022, report on all of the EDC's assets, liabilities, revenues, expenses, and net position under the programs it administers. In summary, the EDC's financial highlights include the following:

- Total assets of the EDC were approximately \$1.24 million at December 31, 2022. Total deferred outflows of resources were approximately \$88 thousand at December 31, 2022. Total liabilities of the EDC were approximately \$417 thousand at December 31, 2022. Total deferred inflows of resources were approximately \$3 thousand at December 31, 2022. Thus, total net position was approximately \$906 thousand at December 31, 2022.
- Total revenue decreased by approximately \$828 thousand during the year ended December 31, 2022. Total revenues were approximately \$631 thousand for the year ended December 31, 2022. This decrease in revenue is due to less COVID related funding from other units of government.
- Total expenses decreased by approximately \$714 thousand during the year ended December 31, 2022. Total expenses were approximately \$702 thousand for the year ended December 31, 2022.
- Net position decreased by approximately \$71 thousand for the year ended December 31, 2022.

Financial Statements

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

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

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

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

This entity-wide presentation represents several programs and activities. The EDC has five standing committees that are funded on a yearly basis – Ag/Renewal Energy Development, Broadband & Advanced Technology, Business Retention & Expansion, Finance, and Marketing & Public Relations. These are active committees with over 50 volunteers that serve on them. The EDC budgeted \$79,150 for EDC Committee expenses and actual expenditures totaled \$108,613 in 2022. This included \$34,000 that is provided to the Willmar Lakes Area Convention & Visitors Bureau (CVB) for marketing purposes. These programs are financed by county funds, state and federal grants, and other (charges and fees).

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022**

Net Position

Table I reflects the EDC's condensed summary of the statement of net position as of December 31, 2022, with comparative amounts for 2021.

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

| <u>Description</u> | <u>2022</u> | <u>2021</u> | <u>Change</u> |
|---|-------------------|-------------------|--------------------|
| Current and other assets | \$ 1,048,859 | \$ 1,080,406 | \$ (31,547) |
| Capital assets and right of use assets, net | <u>189,867</u> | <u>74,136</u> | <u>115,731</u> |
| Total assets | <u>1,238,726</u> | <u>1,154,542</u> | <u>84,184</u> |
| Deferred outflows related to pension | <u>87,878</u> | <u>89,056</u> | <u>(1,178)</u> |
| Total deferred outflows of resources | <u>87,878</u> | <u>89,056</u> | <u>(1,178)</u> |
| Current and other liabilities | 75,774 | 36,588 | 39,186 |
| Long-term liabilities | <u>341,309</u> | <u>119,573</u> | <u>221,736</u> |
| Total liabilities | <u>417,083</u> | <u>156,161</u> | <u>260,922</u> |
| Deferred inflows related to pension | <u>3,231</u> | <u>109,958</u> | <u>(106,727)</u> |
| Total deferred inflows of resources | <u>3,231</u> | <u>109,958</u> | <u>(106,727)</u> |
| Net position | | | |
| Net investment in capital assets | 69,414 | 74,136 | (4,722) |
| Restricted net position | 304,204 | 288,792 | 15,412 |
| Unrestricted net position | <u>532,672</u> | <u>614,551</u> | <u>(81,879)</u> |
| Total net position | <u>\$ 906,290</u> | <u>\$ 977,479</u> | <u>\$ (71,189)</u> |

Investments in capital assets comprise about 14% of the EDC's total assets and about 8% of the total net position.

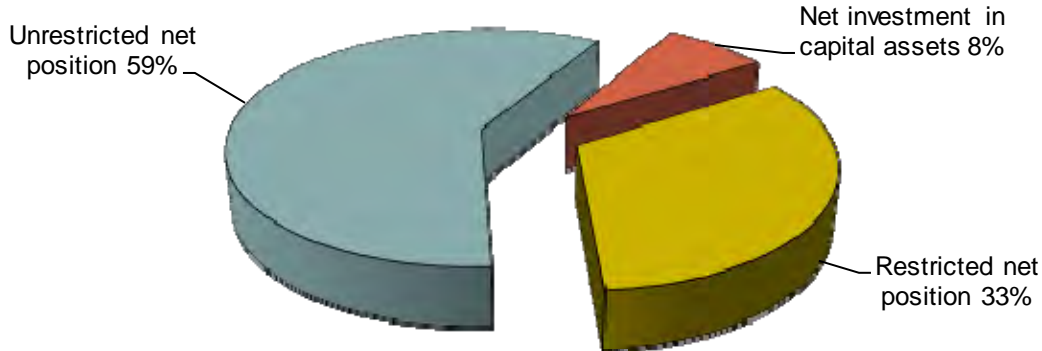
It was a positive year for the EDC's 2022 statement of net position. Total assets increased by \$84,184 and the assets of the organization exceeded \$1 million.

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

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022**

Net Position (continued)

Net Position as of December 31, 2022



Statement of Activities

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

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

| | <u>2022</u> | <u>2021</u> | <u>Change</u> |
|---|----------------|------------------|------------------|
| Revenues | | | |
| Program revenues: | | | |
| Intergovernmental | \$ 24,514 | \$ 854,159 | \$ (829,645) |
| Charges for services | - | 1,335 | (1,335) |
| General revenues: | | | |
| Property taxes | 558,209 | 538,023 | 20,186 |
| Interest income | 10,625 | 11,202 | (577) |
| Other income | 37,299 | 53,625 | (16,326) |
| Total revenues | <u>630,647</u> | <u>1,458,344</u> | <u>(827,697)</u> |
| Expenses | | | |
| Program expenses: | | | |
| Salaries including related taxes and benefits | 337,156 | 258,852 | 78,304 |
| Administration | 152,602 | 165,522 | (12,920) |
| Committees and special projects | 108,613 | 84,186 | 24,427 |
| Events and programs | 43,378 | 38,065 | 5,313 |
| Grants and donations | 29,296 | 864,567 | (835,271) |
| Amortization | 26,168 | - | 26,168 |
| Depreciation | 4,623 | 4,409 | 214 |
| Total expenses | <u>701,836</u> | <u>1,415,601</u> | <u>(713,765)</u> |

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022**

Statement of Activities (continued)

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

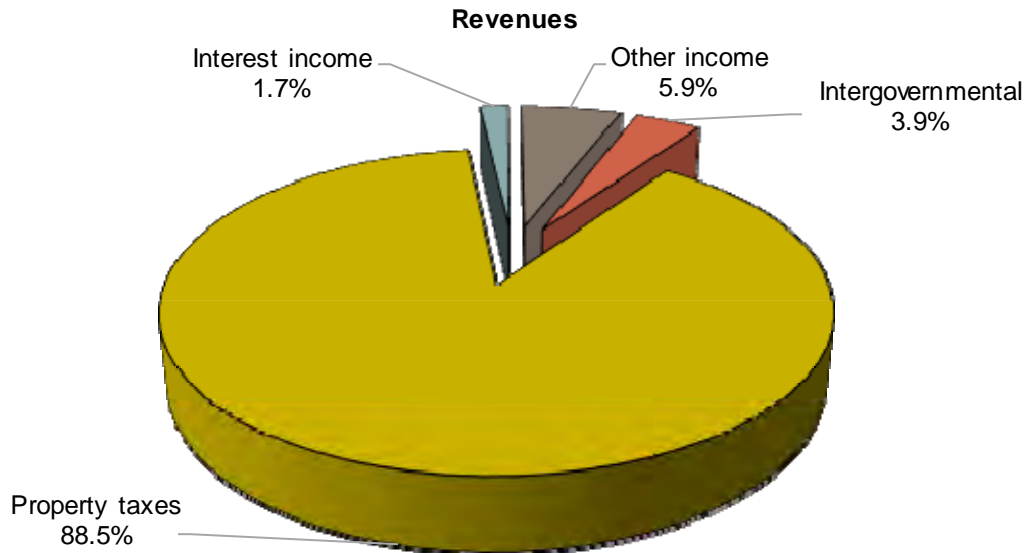
| | <u>2022</u> | <u>2021</u> | <u>Change</u> |
|---|-------------------|-------------------|--------------------|
| Excess (deficiency) of revenues over (under) expenses | (71,189) | 42,743 | (113,932) |
| Change in net position | (71,189) | 42,743 | (113,932) |
| Net position - beginning | 977,479 | 934,736 | 42,743 |
| Net position - ending | <u>\$ 906,290</u> | <u>\$ 977,479</u> | <u>\$ (71,189)</u> |

The decrease in intergovernmental revenues reflects grants of approximately \$848 thousand received in 2021 from Minnesota Pandemic Relief Act funding. The decrease in grants and donations also reflects the grants of approximately \$848 thousand that were disbursed in 2021. The EDC acted as an intermediary by receiving the funding from the State of Minnesota and disbursing it as necessary. Salaries including related taxes and benefits expenses increased reasonably with the addition of the Marketing and Communications Specialist position in 2022.

Financial Analysis of the Organization as a Whole

The EDC is a special taxing district and is primarily funded through levies with the County. In 2022 the county levy represented 89% of the EDC's revenues. The remainder is grants, savings interest, and event sponsorships.

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

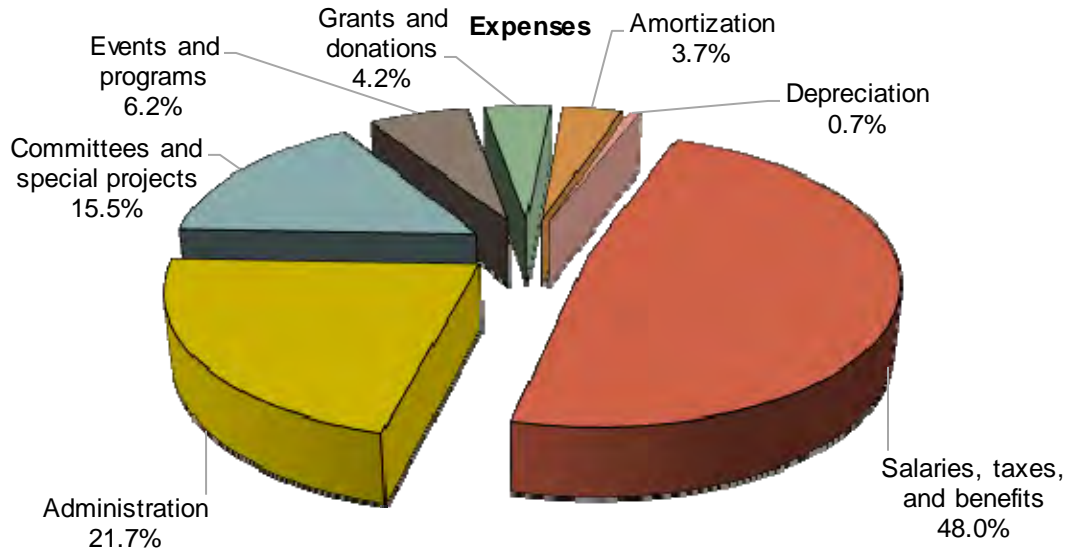


**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022**

Financial Analysis of the Organization as a Whole (continued)

For the year ended December 31, 2022, the EDC incurred operating expenses of \$702 thousand. Approximately 48% of the agency's expenses were tied to salaries, taxes, and benefits.

The following graph illustrates the major expense groups and the percent of the total expense each represents for the year ending December 31, 2022:



General Fund Budgetary Highlights

Revenues for the EDC decreased from \$1,458,344 to \$630,647, or by 56.76%, over the previous year. Expenses for the EDC decreased from \$1,415,601 to \$701,836, or by 50.42%, over the previous year. The EDC's Joint Powers Board of Directors revised the 2022 budget in July of 2022 to increase the intergovernmental revenues in the amount of \$40,000 and decrease other income in the amount of \$5,000 as well as increase the salaries, taxes, and benefits, administrative, events and programs, and grants and donations expenses in the amounts of \$2,284, \$8,834, \$18,106, and \$750, respectively and decrease committees and special projects expenses in the amount of \$5,750.

Capital and Right of Use Assets

At the end of 2022, the EDC had \$71,346 (net of accumulated depreciation) invested in various leasehold improvements, furniture, equipment, and land. Also, the EDC had \$118,521 (net of accumulated amortization) invested in right of use lease assets. Refer to Note 3 of the notes to the financial statements for a schedule showing the EDC's capital asset and right of use asset activity.

Long-Term Debt

At the end of 2022, the EDC had \$120,453 in lease obligations, \$32,013 in compensated absences, and \$245,521 in net pension liability. Refer to Note 3 of the notes to the financial statements for a schedule showing the EDC's long-term debt activity.

Contacting the EDC's Management

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

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
GOVERNMENTAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
December 31, 2022

| | General Fund | Adjustments | Governmental Activities |
|---|-------------------------|--------------------|------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 282,752 | \$ - | \$ 282,752 |
| Certificates of deposit | 110,576 | - | 110,576 |
| Receivables | | | |
| Delinquent taxes | 27,141 | - | 27,141 |
| Loans, net of allowance | 212,163 | - | 212,163 |
| Prepaid expense | 2,702 | - | 2,702 |
| Rent deposit | 3,600 | - | 3,600 |
| Restricted cash | 409,925 | - | 409,925 |
| Capital assets and right of use assets, net | - | 189,867 | 189,867 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 1,048,859</u> | <u>189,867</u> | <u>1,238,726</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pensions | | <u>87,878</u> | <u>87,878</u> |
| Total Deferred Outflows of Resources | | <u>87,878</u> | <u>87,878</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 12,268 | - | 12,268 |
| Payroll liabilities | 219 | - | 219 |
| Accrued interest | - | 411 | 411 |
| Unearned grant revenue | 6,198 | - | 6,198 |
| Long-term liabilities | | | |
| Due within one year | - | 24,665 | 24,665 |
| Due in more than one year | - | 373,322 | 373,322 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>18,685</u> | <u>398,398</u> | <u>417,083</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to pensions | - | 3,231 | 3,231 |
| Unavailable revenue - taxes | <u>17,407</u> | <u>(17,407)</u> | <u>-</u> |
| Total Deferred Inflows of Resources | <u>17,407</u> | <u>(14,176)</u> | <u>3,231</u> |
| FUND BALANCE | | | |
| Nonspendable | 2,702 | (2,702) | |
| Restricted | 304,204 | (304,204) | |
| Committed | 280,186 | (280,186) | |
| Assigned | 25,750 | (25,750) | |
| Unassigned | 399,925 | (399,925) | |
| | <u> </u> | <u> </u> | |
| Total Fund Balance | <u>1,012,767</u> | <u>(1,012,767)</u> | |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 1,048,859</u> | | |
| NET POSITION | | | |
| Net investment in capital assets | | 69,414 | 69,414 |
| Restricted | | 304,204 | 304,204 |
| Unrestricted | | <u>532,672</u> | <u>532,672</u> |
| Total Net Position | | <u>\$ 906,290</u> | <u>\$ 906,290</u> |

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

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
For the Year Ended December 31, 2022**

| | General Fund | Adjustments | Governmental Activities |
|---|-------------------------|---------------------|------------------------------------|
| REVENUES | | | |
| Property taxes | \$ 552,654 | \$ 5,555 | \$ 558,209 |
| Intergovernmental | 23,435 | 1,079 | 24,514 |
| Interest income | 10,625 | - | 10,625 |
| Miscellaneous | 37,299 | - | 37,299 |
| TOTAL REVENUES | 624,013 | 6,634 | 630,647 |
| EXPENDITURES | | | |
| Salaries and wages | 247,718 | 5,835 | 253,553 |
| Payroll taxes and benefits | 62,125 | 21,478 | 83,603 |
| Administrative | 147,072 | - | 147,072 |
| Committees and special projects | 108,613 | - | 108,613 |
| Events and programs | 43,378 | - | 43,378 |
| Grants and donations | 29,296 | - | 29,296 |
| Capital outlay | 1,833 | (1,833) | - |
| Rent | 29,355 | 2,343 | 31,698 |
| Depreciation | - | 4,623 | 4,623 |
| TOTAL EXPENDITURES | 669,390 | 32,446 | 701,836 |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | (45,377) | (25,812) | (71,189) |
| NET CHANGE IN FUND BALANCE/NET POSITION | (45,377) | (25,812) | (71,189) |
| FUND BALANCE/NET POSITION, Beginning of year | 1,058,144 | (80,665) | 977,479 |
| FUND BALANCE/NET POSITION, End of year | \$ 1,012,767 | \$ (106,477) | \$ 906,290 |

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

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

| | |
|----------------------|----------|
| Capital outlay | \$ 1,833 |
| Depreciation expense | (4,623) |

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

| | |
|----------------|-------|
| Property taxes | 5,555 |
|----------------|-------|

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

(20,399)

In the statement of activities, lease expenses are expenditures when earned. However, in the governmental funds, expenditures are recognized when paid.

| | |
|------------------------|----------|
| Lease interest expense | (5,482) |
| Lease payments | 29,307 |
| Amortization expense | (26,168) |

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

(5,835)

Total adjustment between change in fund balance and change in net assets **\$ (25,812)**

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

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

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

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis by column; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The EDC's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of each function of the EDC's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) intergovernmental, interest income, and various other sources; and (2) grants and contributions restricted to meeting the capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the EDC's governmental fund. The emphasis of governmental fund financial statements is on the major individual governmental funds, with each displayed in a separate column in the fund financial statements.

a. Governmental Funds

The EDC reports the following major governmental fund:

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

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The EDC considers all revenues as available if collected within 60 days after the end of the current period. Shared revenues, interest, and miscellaneous are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred.

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

1. Cash and Cash Equivalents

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

2. Receivables

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

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

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

3. Prepaid Items

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

4. Capital Assets

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

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

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

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

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Compensated Absences

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

6. Deferred Outflows/Inflows of Resources

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

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

7. Pensions

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

8. Net Position/Fund Balances

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

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

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

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

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Net Position/Fund Balances (continued)

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

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

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

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

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

Unassigned – is the residual classification for the General Fund.

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

At December 31, 2022, a summary of the governmental fund balance classifications are as follows:

| Fund Balance | <u>General Fund</u> |
|--|-------------------------|
| Nonspendable | |
| Prepays | \$ 2,702 |
| Restricted | |
| Tourism development | 13,641 |
| KCEO program | 20,749 |
| Revolving loan fund | 269,814 |
| Committed | |
| Micro loan fund | 100,000 |
| Revolving loan fund | 30,186 |
| COVID-19 business assistance loan fund | 150,000 |
| Assigned | |
| Loan receivable - HRA of Willmar | 25,750 |
| Unassigned | <u>399,925</u> |
| Total Fund Balance | <u>\$ 1,012,767</u> |

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Use of Estimates

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

E. New Accounting Pronouncement

Effective January 1, 2022, the EDC implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the EDC's 2022 financial statements and did not result in a material impact to the beginning net position of the General Fund. The EDC recognized a right of use asset of \$144,689 and a lease liability of \$144,600 at January 1, 2022 due to the implementation of GASB Statement No. 87.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

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

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

a. Deposits

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

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank, in an account at a trust department of a commercial bank, or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the EDC's deposits may not be returned to it. The EDC will obtain collateral or bonds for all uninsured amounts on deposit and the additional insurance will be documented to show compliance with state law and a perfected security interest under federal law. At December 31, 2022, the EDC deposits were covered by federal depository insurance limit of \$250,000 or collateral held in safekeeping.

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

A. Assets (continued)

1. Deposits and Investments (continued)

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The EDC does not have a formal investment policy that addresses interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The EDC does not have a formal investment policy that addresses credit risk.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The EDC does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk

As of and during the year ended December 31, 2022, the EDC did not own any investments that required disclosure regarding interest rate risk, credit risk, or concentration of credit risk.

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

A. Assets (continued)

2. Receivables

Receivables as of December 31, 2022, for the EDC's governmental activities are as follows:

| | Total Receivables | Not Expected to be Collected Within One Year |
|------------------------------------|----------------------|--|
| Governmental Activities | | |
| Delinquent taxes | \$ 27,141 | \$ 17,407 |
| Loans receivable, net of allowance | <u>212,163</u> | <u>153,577</u> |
| Total Governmental Activities | <u>\$ 239,304</u> | <u>\$ 170,984</u> |

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

Loans receivable consist of the following:

HRA of Willmar – This loan receivable is a term note dated June 1, 1998. The note has no stated interest rate, is unsecured, non-guaranteed, and is due in full on June 1, 2028. At December 31, 2022, the balance of this loan was \$25,750.

Revolving Loan Funds – Consists of various term notes dated December 2011 through October 2021, requiring 60 to 120 monthly payments of \$475 to \$950 including interest at 5.25% to 6.25%. Matures January 2022 through July 2032. At December 31, 2022, the balance of these loans totaled \$154,238.

KCEO Student Loans – Consists of loans to student entrepreneurs in amounts of \$250 to \$600 for small business development payable within one year, non-interest bearing. At December 31, 2022, the balance of these loans totaled \$2,397. A provision has been made for estimated uncollectible amounts in the amount of \$2,397.

Willmar Area Multicultural Business Center (WAMBC)/Micro Loans – Consists of various term notes requiring monthly payments of \$150 to \$500 including interest at 0.00% to 3.00%. Matures January 2022 through June 2026. At December 31, 2022, the balance of these loans totaled \$25,483.

COVID-19 Business Assistance (COBAL) Loans – Consists of various term notes requiring monthly payments of \$140 to \$280 including interest at 0.00%. Matures May 2024. At December 31, 2022, the balance of these loans totaled \$6,692.

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

A. Assets (continued)

3. Capital Assets

Capital assets and right of use assets activity for the year ended December 31, 2022, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------------|-------------|-------------------|
| Governmental activities: | | | | |
| Capital Assets | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 60,000 | \$ - | \$ - | \$ 60,000 |
| Total capital assets not being depreciated | 60,000 | - | - | 60,000 |
| Capital assets being depreciated: | | | | |
| Equipment | 48,101 | 1,833 | - | 49,934 |
| Total capital assets being depreciated | 48,101 | 1,833 | - | 49,934 |
| Less accumulated depreciation for: | | | | |
| Equipment | 33,965 | 4,623 | - | 38,588 |
| Total accumulated depreciation | 33,965 | 4,623 | - | 38,588 |
| Total capital assets being depreciated, net | 14,136 | (2,790) | - | 11,346 |
| Capital assets, net | <u>\$ 74,136</u> | <u>\$ (2,790)</u> | <u>\$ -</u> | <u>\$ 71,346</u> |
| Right of Use Assets | | | | |
| Equipment | \$ - | \$ 18,885 | \$ - | \$ 18,885 |
| Building | - | 125,804 | - | 125,804 |
| Total right of use assets | - | 144,689 | - | 144,689 |
| Less accumulated amortization | - | 26,168 | - | 26,168 |
| Right of use assets, net | <u>\$ -</u> | <u>\$ 118,521</u> | <u>\$ -</u> | <u>\$ 118,521</u> |
| Total capital assets and right of use assets, net | <u>\$ 74,136</u> | <u>\$ 115,731</u> | <u>\$ -</u> | <u>\$ 189,867</u> |

The land included in the above capital assets not being depreciated is an asset the EDC bought in the fiscal year ended December 31, 2021. The EDC purchased this land to potentially resell to a developer. The EDC has stipulations on how the property would be developed and will work with the City of Wilmar to determine an appropriate use of the property based on the needs of the community. As of December 31, 2022, there have been a few developers show interest in the property, but it has yet to be sold.

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

| | |
|--------------------------------|-----------------|
| Governmental activities | |
| Economic development | <u>\$ 4,623</u> |

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

B. Liabilities

1. Long-Term Debt

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

| Governmental Activities | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> | <u>Due In More Than One Year</u> |
|--------------------------------|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|--------------------------------------|
| Lease Obligations | \$ - | \$ 144,600 | \$ 24,147 | \$ 120,453 | \$ 24,665 | \$ 95,788 |
| Compensated Absences | 26,178 | 25,665 | 19,830 | 32,013 | - | 32,013 |
| Net Pension Liability | 119,573 | 143,379 | 17,431 | 245,521 | - | 245,521 |
| Total | <u>\$ 145,751</u> | <u>\$ 313,644</u> | <u>\$ 61,408</u> | <u>\$ 397,987</u> | <u>\$ 24,665</u> | <u>\$ 373,322</u> |

C. Leases

Lease agreements are summarized as follows:

| <u>Description</u> | <u>Date</u> | <u>Payment Terms</u> | <u>Payment Amount</u> | <u>Interest Rate</u> | <u>Total Lease Liability</u> | <u>Current Year Additional Outflows</u> | <u>Balance Outstanding</u> |
|------------------------|-------------|--------------------------|---------------------------|--------------------------|--------------------------------------|---|--------------------------------|
| Copier | 11/7/2019 | 72 Months | \$ 442 | 4.25% | \$ 18,797 | \$ 48 | \$ 14,143 |
| Building | 12/1/2019 | 96 Months | \$ 2,000 | 4.25% | \$ 125,803 | - | 106,310 |
| Total Lease Agreements | | | | | | <u>\$ 48</u> | <u>\$ 120,453</u> |

The EDC leases a copier for their Willmar office location. The lease commenced on November 7, 2019 and is to expire in 6 years on November 6, 2025. The monthly payment is \$442 and the interest rate on the lease is the prime rate plus an additional 1 percent as of GASB Statement No. 87 adoption date, January 1, 2022. The monthly lease payment includes the use of the copier as well as an allotted amount of copies to be made per month. If the EDC exceeds the allotted amount, they are charged an overage fee. The amount included in the current year's additional outflows of \$48 is the overage charges they were assessed as a result of the excess copies made.

The EDC leases a building from Willmar Elks Lodge #952 to conduct their operations. The lease commenced on December 1, 2019, and is to expire in 8 years on November 30, 2027. The monthly payment is \$2,000 and the interest rate on the lease is the prime rate plus an additional 1 percent as of GASB Statement No. 87 adoption date, January 1, 2022.

Annual requirements to amortize lease obligations and related interest are as follows:

| <u>Year Ending December 31:</u> | <u>Principal</u> | <u>Interest</u> |
|-------------------------------------|-------------------|------------------|
| 2023 | \$ 24,665 | \$ 4,560 |
| 2024 | 25,723 | 3,498 |
| 2025 | 25,963 | 2,372 |
| 2026 | 22,562 | 1,359 |
| 2027 | <u>21,540</u> | <u>385</u> |
| Total Lease Payments | <u>\$ 120,453</u> | <u>\$ 12,174</u> |

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 4 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan

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

B. Benefits Provided

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

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022 and the EDC was required to contribute 7.50% for Coordinated Plan members. The EDC's contributions to the General Employees Fund for the year ended December 31, 2022, were \$18,579. The EDC's contributions were equal to the required contributions as set by state statute.

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2022, the EDC reported a liability of \$245,521 for its proportionate share of the General Employees Fund's net pension liability. The EDC's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the EDC's totaled \$7,219.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The EDC's proportionate share of the net pension liability was based on the EDC's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The EDC's proportionate share was .0031% at the end of the measurement period and .0028% for the beginning of the period.

| | |
|---|-------------------|
| The EDC's proportionate share of the net pension liability | \$ 245,521 |
| State of Minnesota's proportionate share of the net pension liability associated with the EDC | <u>7,219</u> |
| Total | <u>\$ 252,740</u> |

For the year ended December 31, 2022, the EDC recognized pension expense of \$38,024 for its proportionate share of the General Employees Plan's pension expense. In addition, the EDC recognized an additional \$1,079 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2022, the EDC reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual economic experience | \$ 2,051 | \$ 2,362 |
| Changes in actuarial assumptions | 50,351 | 869 |
| Net collective difference between projected and actual investment earnings | 12,134 | - |
| Changes in proportion | 13,988 | - |
| Contributions paid to PERA subsequent to the measurement date | <u>9,354</u> | <u>-</u> |
| Total | <u>\$ 87,878</u> | <u>\$ 3,231</u> |

The \$9,354 reported as deferred outflows of resources related to pensions resulting from the EDC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

D. Pension Costs (continued)

1. General Employees Fund Pension Costs (continued)

| Year Ended December 31: | Pension Expense Amount |
|----------------------------|---------------------------|
| 2023 | \$ 27,611 |
| 2024 | \$ 27,072 |
| 2025 | \$ (1,595) |
| 2026 | \$ 22,205 |

E. Long-Term Expected Return on Investment

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|----------------------|--|
| Domestic Equity | 33.5% | 5.10% |
| International Equity | 16.5% | 5.30% |
| Fixed Income | 25.0% | 0.75% |
| Private Markets | 25.0% | 5.90% |
| Total | 100% | |

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed to be reasonable by the actuary. An investment return of 6.50% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Methods and Assumptions (continued)

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

| Sensitivity Analysis | | | |
|--|------------------------|----|---------|
| <i>Net Pension Liability at Different Discount Rates</i> | | | |
| | General Employees Fund | | |
| 1% Lower | 5.50% | \$ | 387,813 |
| Current Discount Rate | 6.50% | \$ | 245,521 |
| 1% Higher | 7.50% | \$ | 128,819 |

I. Pension Plan Fiduciary Net Position

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

NOTE 5 RISK MANAGEMENT

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

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 6 COMMITMENTS AND CONTINGENCIES

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

The Kandiyohi County and City of Willmar Economic Development Commission has entered into various loan agreements in relation to its Partial Loan Guarantee Program. Under the terms of the agreement, the EDC has guaranteed 80% of these \$25,000 (\$50,000 for 2013 and following years) loans to private businesses. During the year ended December 31, 2022, all outstanding loan balances were paid off. Total outstanding loan balances under this loan program are \$0 at December 31, 2022.

NOTE 7 SUBSEQUENT EVENTS

The EDC has evaluated subsequent events through October 24, 2023, the date the financial statements were available to be issued.

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2022

| | Budgeted Amounts | | Actual | Over (Under) |
|--|-------------------------|------------------|---------------------|---------------------|
| | Original | Final | Amounts | Final Budget |
| REVENUES | | | | |
| Property taxes | \$ 556,000 | \$ 556,000 | \$ 552,654 | \$ (3,346) |
| Charges for services | 1,100 | 1,100 | - | (1,100) |
| Intergovernmental | - | 40,000 | 23,435 | (16,565) |
| Interest income | 9,375 | 9,375 | 10,625 | 1,250 |
| Miscellaneous | 90,500 | 85,500 | 37,299 | (48,201) |
| TOTAL REVENUES | <u>656,975</u> | <u>691,975</u> | <u>624,013</u> | <u>(67,962)</u> |
| EXPENDITURES | | | | |
| Salaries and wages | 259,154 | 261,138 | 247,718 | (13,420) |
| Payroll taxes and benefits | 66,762 | 67,062 | 62,125 | (4,937) |
| Administrative | 141,501 | 150,335 | 147,072 | (3,263) |
| Committees and special projects | 84,900 | 79,150 | 108,613 | 29,463 |
| Events and programs | 42,090 | 60,196 | 43,378 | (16,818) |
| Grants and donations | 29,200 | 29,950 | 29,296 | (654) |
| Capital outlay | - | - | 1,833 | 1,833 |
| Rent | 29,050 | 29,050 | 29,355 | 305 |
| TOTAL EXPENDITURES | <u>652,657</u> | <u>676,881</u> | <u>669,390</u> | <u>(7,491)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 4,318</u> | <u>\$ 15,094</u> | (45,377) | <u>\$ (60,471)</u> |
| FUND BALANCE, Beginning of year | | | <u>1,058,144</u> | |
| FUND BALANCE, End of year | | | <u>\$ 1,012,767</u> | |

See notes to required supplementary information.

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

| Fiscal Year Ending | Employer's Proportion (Percentage) of the Net Pension Liability (Asset) | Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a) | State's Proportionate Share (Amount) of the Net Pension Liability Associated with EDC (b) | Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With EDC (a+b) | Employer's Covered- Employee Payroll (c) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------|---|--|--|--|--|---|--|
| June 30, 2022 | 0.0031% | \$ 245,521 | \$ 7,219 | \$ 252,740 | \$ 247,720 | 102.0% | 76.7% |
| June 30, 2021 | 0.0028% | \$ 119,573 | \$ 3,670 | \$ 123,243 | \$ 209,320 | 58.9% | 87.0% |
| June 30, 2020 | 0.0027% | \$ 161,877 | \$ 4,842 | \$ 166,719 | \$ 198,480 | 84.0% | 79.1% |
| June 30, 2019 | 0.0026% | \$ 143,748 | \$ 4,500 | \$ 148,248 | \$ 183,027 | 81.0% | 80.2% |
| June 30, 2018 | 0.0026% | \$ 144,237 | \$ 4,581 | \$ 148,818 | \$ 171,400 | 86.8% | 79.5% |

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

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

See notes to required supplementary information.

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

| Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered- Employee Payroll (c) | Contributions as a Percentage of Covered- Employee Payroll (b/c) |
|--------------------|--|---|---|--|--|
| December 31, 2022 | \$ 18,579 | \$ 18,579 | \$ - | \$ 247,720 | 7.50% |
| December 31, 2021 | \$ 15,699 | \$ 15,699 | \$ - | \$ 209,320 | 7.50% |
| December 31, 2020 | \$ 14,886 | \$ 14,886 | \$ - | \$ 198,480 | 7.50% |
| December 31, 2019 | \$ 13,972 | \$ 13,972 | \$ - | \$ 186,300 | 7.50% |
| December 31, 2018 | \$ 13,500 | \$ 13,500 | \$ - | \$ 180,000 | 7.50% |

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

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

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

NOTE 1 BUDGETARY INFORMATION

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 2 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

General Employees Fund

2022 Changes:

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2021 Changes:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2020 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

NOTE 2 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (continued)

General Employees Fund (continued)

2019 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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



westberg | eischens
advisors and accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Kandiyohi County and City of Willmar Economic Development Commission as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Kandiyohi County and City of Willmar Economic Development Commission's basic financial statements, and have issued our report thereon dated October 24, 2023.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be significant deficiencies.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the Kandiyohi County and City of Willmar Economic Development Commission failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Kandiyohi County and City of Willmar Economic Development Commission's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Government Auditing Standards require the auditor to perform limited procedures on the Kandiyohi County and City of Willmar Economic Development Commission's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Kandiyohi County and City of Willmar Economic Development Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Kandiyohi County and City of Willmar Economic Development Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kandiyohi County and City of Willmar Economic Development Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

October 24, 2023

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2022

FINANCIAL STATEMENT FINDINGS

Finding 2022-001

Criteria:

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

Condition:

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

Questioned Costs:

None.

Context:

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

Effect:

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

Cause:

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

Repeat Finding:

This finding was reported in the prior year as finding 2021-001.

Recommendation:

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

Current Status:

Unresolved.

CORRECTIVE ACTION PLAN (CAP)

Finding 2022-001

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

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

Officer Responsible for Ensuring CAP:

Not Applicable.

Planned Completion Date:

Not Applicable.

Plan to Monitor Completion of CAP:

Not Applicable.

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2022

FINANCIAL STATEMENT FINDINGS (continued)

Finding 2022-002

Criteria:

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

Condition:

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

Questioned Costs:

None.

Context:

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

Effect:

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

Cause:

Limited number of staff in the office.

Repeat Finding:

This finding was reported in the prior year as finding 2021-002.

Recommendation:

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

Current Status:

Unresolved.

CORRECTIVE ACTION PLAN (CAP)

Finding 2022-002

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

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

Officer Responsible for Ensuring CAP:

Not Applicable.

Planned Completion Date:

Not Applicable.

Plan to Monitor Completion of CAP:

Not Applicable.

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2022

FINANCIAL STATEMENT FINDINGS (continued)

Finding 2022-003

Criteria:

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

Condition:

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

Questioned Costs:

None.

Context:

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

Effect:

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

Cause:

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

Repeat Finding:

This finding was reported in the prior year as finding 2021-003.

Recommendation:

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

Current Status:

Unresolved.

CORRECTIVE ACTION PLAN (CAP)

Finding 2022-003

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

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

Officer Responsible for Ensuring CAP:

Not Applicable.

Planned Completion Date:

Not Applicable.

Plan to Monitor Completion of CAP:





Not Applicable.



PROGRAM OF NEEDS

| | APPLETREE SQUARE LOCATION | HERITAGE BANK LOCATION | RANK OF IMPORTANCE (1)LOW - (3)HIGH | COMMENTS/NOTES |
|------------------------------|-----------------------------------|---|--|----------------|
| I. SUMMARY COMMENTS | | | | |
| | | | | |
| II. CIVIC BENEFIT | | | | |
| Perception | on the highway | a part of downtown | | |
| Partnership Opportunities | near LSS and WACF | near financial institution and legal guidance | | |
| Staff Disruption | | | | |
| Public Disruption | | | | |
| Historic Significance | none | none | | |
| III. LOCATION | | | | |
| Address | 1601 E Highway 12 | 320 1st Street SW | | |
| Neighborhood | East Highway 12 | Downtown | | |
| Near arterial road | yes | yes | | |
| Accessibility | off of parking lot | off parking lot or city street | | |
| Visibility | space located at building "front" | space located at building "rear" | | |
| Expansion opportunities | if another suite is taken over | within suite | | |
| Deliveries | secondary entrance available | secondary entrance available | | |
| Off street parking available | 48,000 sf + shared | 47,882 sf + shared | | |
| On street parking available | no | yes | | |
| IV. BUILDING ELEMENTS | | | | |
| Square feet available | 2,840 | 3,665 | | |
| Layout of available space | | | | |
| Education opportunities | yes, but shared with conference | yes, could be it's own space | | |
| Conference opportunities | yes, but shared with education | yes | | |
| Huddle opportunities | yes | yes | | |
| Office opportunities | yes | yes | | |
| Storage opportunities | limited-en suite | yes- en suite | | |
| Building envelope | newer renovation | newer renovation | | |
| Interiors and finishes | willing to remodel | willing to remodel | | |
| Building systems | | | | |
| Structure | | | | |

| APPLETREE SQUARE LOCATION | | HERITAGE BANK LOCATION | RANK OF IMPORTANCE (1)LOW - (3)HIGH | RANK OF IMPORTANCE (1)LOW - (3)HIGH-EDC | FAVORED LOCATION | COMMENTS/NOTES |
|---|--|--|--|--|---------------------|--|
| Conference opportunities | yes, but shared with education | yes | 3 | 2.36 | HB | |
| Huddle opportunities | yes | yes | 3 | 2.36 | ATS/HB | |
| Office opportunities | yes | yes | 3 | 2.625 | ATS/HB | |
| Storage opportunities | limited-en suite | yes- en suite | 3 | 2.45 | HB | |
| Building envelope | newer renovation | newer renovation | 2 | 2.85 | ATS/HB | |
| | roof redone +/- 8 years ago | roof redone +/- 4 years ago | 3 | | | |
| Interiors and finishes | willing to remodel | willing to remodel | 3 | 2.5 | ATS/HB | Both are willing to remodel |
| Building systems | | | | | | |
| Structure | Concrete slab on grade | Concrete slab on grade | 2 | 2.62 | ATS/HB | |
| | Steel frame | Steel frame | 2 | | ATS/HB | |
| | Sloping beams 12' low on north side | "flat" roof unsure of deck height | 2 | | ATS/HB | |
| Mechanical | Ducted supply with wild return | Ducted supply with ducted return | 3 | 2.62 | HB | |
| Electrical | Old lighting | Lighting will be updated to match other areas | 2 | 2.62 | ATS/HB | |
| | Lots of outlets | former office | 2 | | ATS/HB | |
| | former office/T-Mobile | banking related | 2 | | ATS/HB | |
| | 100 amp each side | unclear on amps-appears adequate-elec | 3 | | ATS/HB | |
| ADA | non-compliant-planning to modify existing | non-compliant-planning new | 3 | 2.62 | ATS/HB | These should all be updated if they are not ADA compliant |
| Wayfinding | enter directly into suite | could enter into suite or hallway | 2 | 2.5 | ATS | |
| Anonymity | Front and back | Shared entry or individual front and back are a possibility | 1 | 1.36 | HB | transparency-confidential when we need to be , back parking when we really need it |
| Safety/security | no existing security system | security system for entire building | 3 | 3 | HB | |
| Exterior views | parking lot-retail and service business, highway, landscaping at entry | parking lot-healthcare, financial and service businesses, 1st street, landscape at entry | 2 | 2.36 | ATS | Slightly more visible as an individual entity, this could be modified at HB |
| Natural Light | south only | south and west | 3 | 2.54 | HB | |
| Restroom en suite | yes | yes | 3 | 2.54 | ATS/HB | |
| Internal expansion | no | yes | 3 | 2.12 | HB | |
| Separate staff and public entry available | yes | yes | 1 | 1.87 | ATS/HB | |
| V. MARKETING/IMAGE | | | | | | |
| Sense of arrival | yes, shared impression | yes, shared impression | 3 | 2.36 | ATS/HB | |
| Appearance | "current" | current but "back" of building | 2 | 2.5 | ATS | Modifications to building exterior at HB can make this equal |
| Modification to exterior likely/possible | likely no change on exterior beyond signage | change at exterior appears possible | 2 | 2.125 | | Modifications to building exterior at HB can make this equal |

| APPLETREE SQUARE LOCATION | | HERITAGE BANK LOCATION | RANK OF IMPORTANCE (1)LOW - (3)HIGH | COMMENTS/NOTES |
|---|---|--|--|----------------|
| | Mechanical | | | |
| | Electrical | | | |
| ADA | | | | |
| Wayfinding | enter directly into suite | could enter into suite or hallway | | |
| Anonymity | Front and back | Shared entry or individual front and back are a possibility | | |
| Safety/security | | | | |
| Exterior views | parking lot-retail and service businesses, highway, landscaping at entry | parking lot-healthcare, financial and service businesses. 1st street. landscape at entry | | |
| Natural Light | south only | south and west | | |
| Restroom en suite | yes | yes | | |
| Internal expansion | no | yes | | |
| Separate staff and public entry available | yes | yes | | |
| III. MARKETING/IMAGE | | | | |
| Sense of arrival | yes, shared impression | yes, shared impression | | |
| Appearance | "current" | current but "back" of building | | |
| Modification to exterior likely/possible | likely no change on exterior beyond signage | change at exterior appears possible | | |
| Current exterior images | <div></div> | | | |
| III. COST | | | | |
| Leasing fees | | | | |
| Renovation cost | | | | |
| Parking | | | | |



PROGRAM OF NEEDS

| NAME OF | AREA | NAME OF EMPLOYEE | EXISTING SQ. FT. | PROPOSED SQ. FT. | EQUIPMENT | AREA | IN | GENERAL | NOTES |
|----------------------------------|-------------------|---------------------|---------------------|---------------------|-----------|------|----|---------|-------------------------------------|
| I. PUBLIC | | | | | | | | | |
| Lobby | | | | 100 | | | | | |
| Reception | | | | 80 | | | | | |
| Restroom(s) | | | | 80 | | | | | can be shared with another area |
| TOTAL | | | 0 | 260 | | | | | |
| II. EDUCATION / MEETING | | | | | | | | | |
| Education/Meeting Lobby | | | | 250 | | | | | break out space |
| | | | | | | | | | food prep |
| Meeting room/classroom | | | | 735 | | | | | ability for private after hours use |
| | | | | | | | | | Elevate <25 |
| | | | | | | | | | Other potential program <49 |
| | | | | | | | | | operable wall partition? |
| Storage | | | | 150 | | | | | specific to meeting room furniture |
| Break out spaces | | | | | | | | | |
| | Small Conference | | | 100 | | | | | 2-3 people |
| | Medium Conference | | | 150 | | | | | 8-12 people |
| Work room | | | | 200 | | | | | can this be shared with other area? |
| Restroom(s) | | | | 80 | | | | | can be shared with another area |
| | | | | 80 | | | | | require "after hours access" |
| TOTAL | | | 0 | 1495 | | | | | |
| III. OFFICE /ADMINISTRATIVE AREA | | | | | | | | | |
| Executive Director | Aaron | | | 100 | | | | | |
| Business Development Manager | Sarah | | | 100 | | | | | |
| Office Manager | Cathy | | | 100 | | | | | |

| NAME OF | AREA | NAME OF EMPLOYEE | EXISTING SQ. FT. | PROPOSED SQ. FT. | EQUIPMENT AREA | IN GENERAL | NOTES |
|---|------|---------------------|---------------------|---------------------|-------------------|---------------|-------|
| Marketing and Communications Specialist | | Kelsey | | 100 | | | |
| Child Care Community Coordinator | | Tanna | | 100 | | | |
| Work room | | | | 200 | | | |
| Staff Break Room | | | | 150 | | | |

| | | | | | | | |
|-------|--|--|---|-----|--|--|--|
| TOTAL | | | 0 | 850 | | | |
|-------|--|--|---|-----|--|--|--|

IV. SUPPORT / SERVICE

| | | | | | | | |
|------------|--|--|--|-----|--|--|---|
| Mechanical | | | | 150 | | | |
| Electrical | | | | 50 | | | |
| Storage | | | | 200 | | | currently in detached space 200 includes paper work and some bulky items |
| | | | | 50 | | | 3 separate closets 50 sq ft supplies |

| | | | | | | | |
|-------|--|--|---|-----|--|--|--|
| TOTAL | | | 0 | 450 | | | |
|-------|--|--|---|-----|--|--|--|

V. SUMMARY

| | | | | | | | |
|----------------------------------|--|--|---|-------|--|--|--|
| I. PUBLIC | | | 0 | 260 | | | |
| II. EDUCATION / MEETING | | | 0 | 1,495 | | | |
| III. OFFICE /ADMINISTRATIVE AREA | | | 0 | 850 | | | |
| IV. SUPPORT / SERVICE | | | 0 | 450 | | | |
| TOTAL | | | 0 | 3055 | | | |

| | | | | | | | |
|-------------|--|--|---|-------|--|--|--|
| CIRCULATION | (20% of New Construction) | | 0 | 611 | | | |
| | STRUCTURE (15% of New Construction) | | 0 | 458 | | | |
| TOTAL | | | 0 | 4,124 | | | |

VI. NOTES

This information is based on diagram provided by owner and professional opinion of space requirements
Detailed discussion with board and staff needed moving forward

Appletree Square



Heritage Bank





UNIVERSITY OF MINNESOTA EXTENSION

DEPARTMENT OF COMMUNITY DEVELOPMENT

2021 Retail Trade Analysis: Willmar and Kandiyohi County

A Tool Used to Measure the Economic Health of the Local Retail Economy

Authored by Kathryn Leys, University of Minnesota Extension Educator



2021 Retail Trade Analysis: Willmar and Kandiyohi County

A Tool Used to Measure the Economic Health of the Local Retail Economy

July 28, 2023

Authored by Kathryn Leys, University of Minnesota Extension Educator

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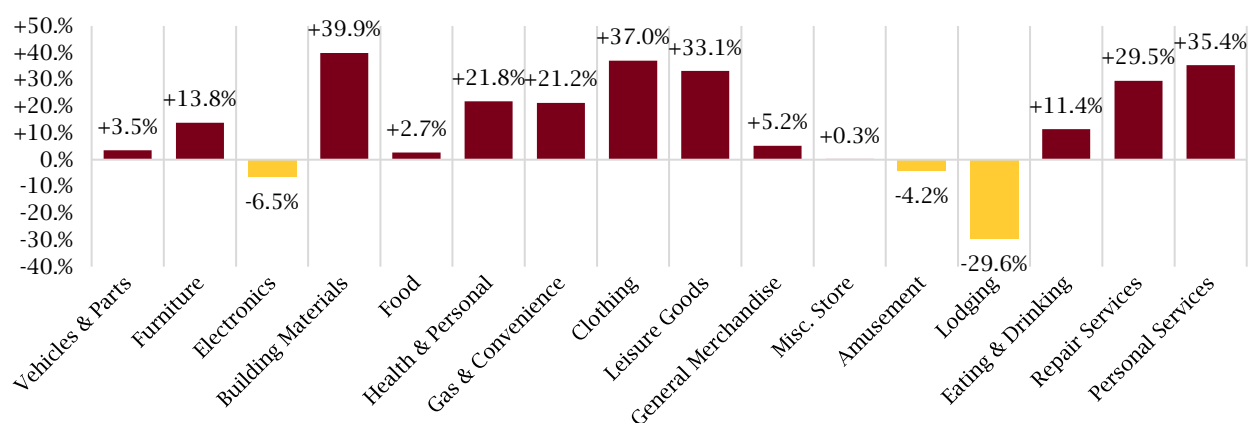
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Executive Summary

Overall Trends

The Minnesota Department of Revenue releases sales tax information each spring for the year that ended about 15 months earlier. The latest information indicates that Willmar's taxable retail and service sales increased 12.2% between 2019 and 2021 to \$362 million.¹ Building Materials stores are the largest contributor of taxable sales in Willmar's economy. This category accounted for \$108 million in taxable sales in 2021. Between 2019 and 2021, the category saw a 39.9% increase in sales, the greatest percent increase of all merchandise categories. The largest increase in dollar sales was also in the category of Building Materials, which increased by \$30.74 million in total sales from 2019 to 2021. Electronics, Lodging, and Amusement establishments were the only categories that saw a decrease in sales over the last three years. The largest decrease was in the Lodging category, with taxable sales down by almost \$9 million, or 9.5 percent. The decrease in lodging sales tax follows trends at both the county and state level. From 2019 to 2021, both Kandiyohi County and the state saw decreases in lodging sales taxes.

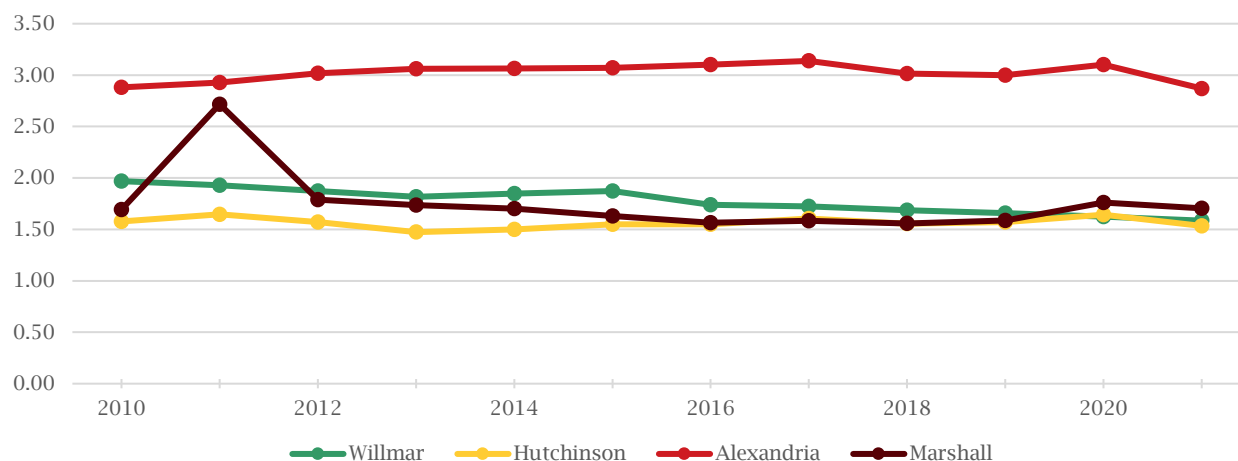
Figure 1: Taxable Sales Changes from 2019 to 2021 by Category



Comparisons with Other Area Cities

There are several ways to measure performance other than dollars of sales. Economists expect cities with larger populations to have more sales since their potential customer base is larger. A way to compensate for that in a retail trade analysis is to measure the pull factor.² Willmar's pull factor was 1.59 in 2021. The city's per capita taxable sales in 2021 were estimated to be \$17,184, about \$6,300 higher than the state average of \$10,839.

Figure 2: Overall Pull Factors for Nearby Cities Over Time



Comparing Willmar's Performance to Similar Minnesota Cities

Figure 3, shown below, provides information on taxable sales by merchandise category. "Expected sales" is a standard to which actual performance is compared. In calculating expected sales, population, income, and typical "pulling power" characteristics are taken into account. The following table calculates pulling power using a similar non-metro city list based on population + or - 40% of Willmar's, including communities like Faribault, Otsego, Bemidji, and Sartell. For a longer list of included cities, see page 19. Expected sales can be used as a guideline or "par value" in analyzing retail strength.

Figure 3: Actual vs Expected Taxable Sales for Selected Merchandise Categories

| Merchandise Category | Expected Sales (millions) | Actual Sales (millions) | Variance As % of Expected | Trade Area's Estimated Customer Gain (or Loss) |
|---|------------------------------|----------------------------|---------------------------------|---|
| Vehicles & Parts | \$18.08 | \$15.58 | -13.8% | -2,916 |
| Furniture | \$6.03 | \$12.36 | 105.0% | 22,127 |
| Electronics | \$4.73 | \$5.17 | 9.4% | 1,972 |
| Building Materials | \$57.74 | \$107.72 | 86.5% | 18,241 |
| Food | \$19.24 | \$22.97 | 19.4% | 4,088 |
| Health & Personal | \$3.14 | \$4.90 | 55.9% | 11,771 |
| Gas & Convenience | \$8.79 | \$10.55 | 20.0% | 4,215 |
| Clothing | \$2.36 | \$3.54 | 50.1% | 10,560 |
| Leisure Goods | \$2.94 | \$2.66 | -9.5% | -1,995 |
| General Merchandise | \$59.83 | \$49.28 | -17.6% | -3,718 |
| Misc. Store | \$14.71 | \$9.80 | -33.4% | -7,038 |
| Amusement | \$3.23 | \$2.07 | -35.8% | -7,544 |
| Lodging | \$8.15 | \$21.38 | 162.3% | 34,211 |
| Eating & Drinking | \$41.73 | \$47.45 | 13.7% | 2,887 |
| Repair Services | \$7.58 | \$18.29 | 141.2% | 29,759 |
| Personal Services | \$1.53 | \$2.52 | 64.9% | 13,684 |
| Total Taxable Retail & Services* | \$229.19 | \$362.18 | 58.0% | 12,229 |

*All retail and service categories are included in total sales, including some categories not shown. Therefore, the merchandise groups shown here generally will not sum to total sales.

The Bottom Line

Willmar has been increasing its retail strength since 2010, and with a pull factor of 1.59, it draws in more sales than anticipated for its size. When compared with other Minnesota communities, Willmar performs well, bringing in 58.0% more sales than expected. Some business categories, such as Lodging, Repair Services, and Furniture establishments are bringing customers into the community to shop. Opportunities exist, however, to capture more spending locally since local consumers also appear to shop outside the community for other goods and services (e.g., Amusement). Some categories, such as General Merchandise, are strong yet underperform in expected sales when compared to other communities of similar size. The following report details how various retail categories have changed since 2010. Individual businesses can see how they have performed compared to the broader community. This report is also useful for identifying opportunities to provide new or expanded goods and services.

¹ The data in this summary are not adjusted for inflation.

² Pull factor compares the local taxable sales per capita to that of the state. A pull factor index higher than 1.0 usually indicates that businesses are pulling in customers from outside their community. A lower pull factor usually indicates residents are leaving the community to make purchases.

Retail Trade Overview

Total Taxable and Gross Retail Sales

The table below presents gross and taxable retail and services sales for Willmar from 2010 through 2021. Without inflation adjustments, taxable sales in Willmar increased 8.4 percent from 2015 to 2021, while the number of firms fell 4.3 percent. Statewide, taxable sales increased 26.2 percent over the same time period and the number of firms fell 2.3 percent. The per capita sales and pull factor data in this table are based on taxable sales, the more verified sales measure.

Overview of Retail/Services Sales Over Time

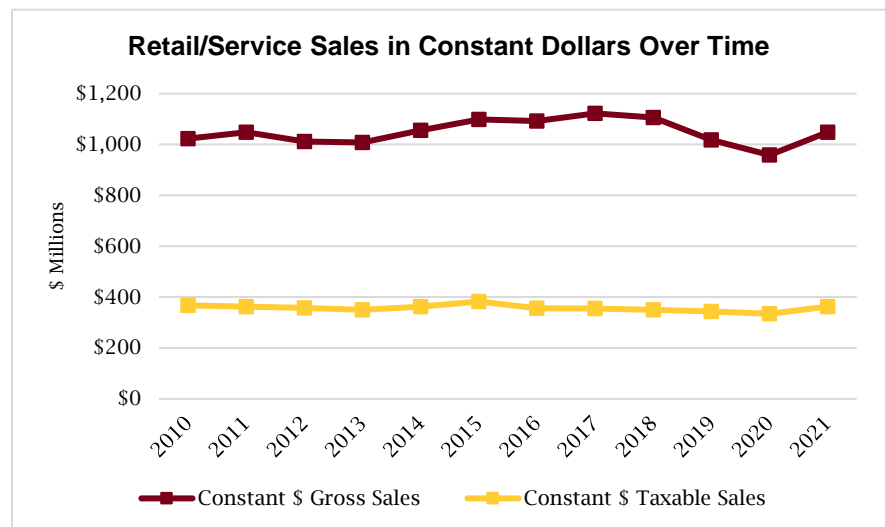
| Year | Estimated Population | Current Dollars | | Constant 2021 Dollars | | Number of Firms | Per Capita Sales | Pull Factor |
|------------------------|----------------------|---------------------------|----------------------------|---------------------------|----------------------------|-----------------|------------------|-------------|
| | | Gross Sales* (\$millions) | Taxable Sales (\$millions) | Gross Sales* (\$millions) | Taxable Sales (\$millions) | | | |
| 2010 | 19,610 | \$825.21 | \$296.77 | \$1,023.13 | \$367.95 | 503 | \$15,134 | 1.97 |
| 2011 | 19,600 | \$873.55 | \$301.75 | \$1,048.86 | \$362.30 | 491 | \$15,395 | 1.93 |
| 2012 | 19,694 | \$860.88 | \$304.16 | \$1,012.33 | \$357.67 | 476 | \$15,444 | 1.87 |
| 2013 | 19,717 | \$883.88 | \$306.95 | \$1,008.59 | \$350.25 | 482 | \$15,568 | 1.82 |
| 2014 | 19,731 | \$926.13 | \$318.30 | \$1,056.38 | \$363.06 | 480 | \$16,132 | 1.85 |
| 2015 | 19,848 | \$959.07 | \$334.11 | \$1,098.50 | \$382.68 | 469 | \$16,833 | 1.87 |
| 2016 | 19,891 | \$962.54 | \$314.64 | \$1,091.79 | \$356.90 | 482 | \$15,818 | 1.74 |
| 2017 | 20,008 | \$1,010.56 | \$319.71 | \$1,122.41 | \$355.09 | 483 | \$15,979 | 1.72 |
| 2018 | 20,096 | \$1,021.13 | \$323.12 | \$1,105.95 | \$349.96 | 488 | \$16,079 | 1.69 |
| 2019 | 20,226 | \$955.95 | \$322.90 | \$1,018.42 | \$344.00 | 474 | \$15,964 | 1.66 |
| 2020 | 21,015 | \$910.79 | \$317.86 | \$958.68 | \$334.57 | 476 | \$15,125 | 1.62 |
| 2021 | 21,076 | \$1,047.97 | \$362.18 | \$1,047.97 | \$362.18 | 449 | \$17,184 | 1.59 |
| 7 yr Change '15 to '21 | 6.2% | 9.3% | 8.4% | -4.6% | -5.4% | -4.3% | 2.1% | -15.3% |
| 3 yr Change '19 to '21 | 4.2% | 9.6% | 12.2% | 2.9% | 5.3% | -5.3% | 7.6% | -4.5% |

* Gross sales figures are self-reported by firms and not audited by the Dept. of Revenue for accuracy.

Retail Sales in Constant Dollars

The table above also presents sales data in constant 2021 dollars.

These figures have been adjusted for inflation to reflect their value in 2021. For example, in 2010, taxable sales in Willmar totaled \$296.77 million, an amount worth \$367.95 million in 2021 dollars. In constant dollars, gross sales fell -4.6 percent between 2015 and 2021. Constant dollar taxable sales decreased -5.4 percent over the same time period.

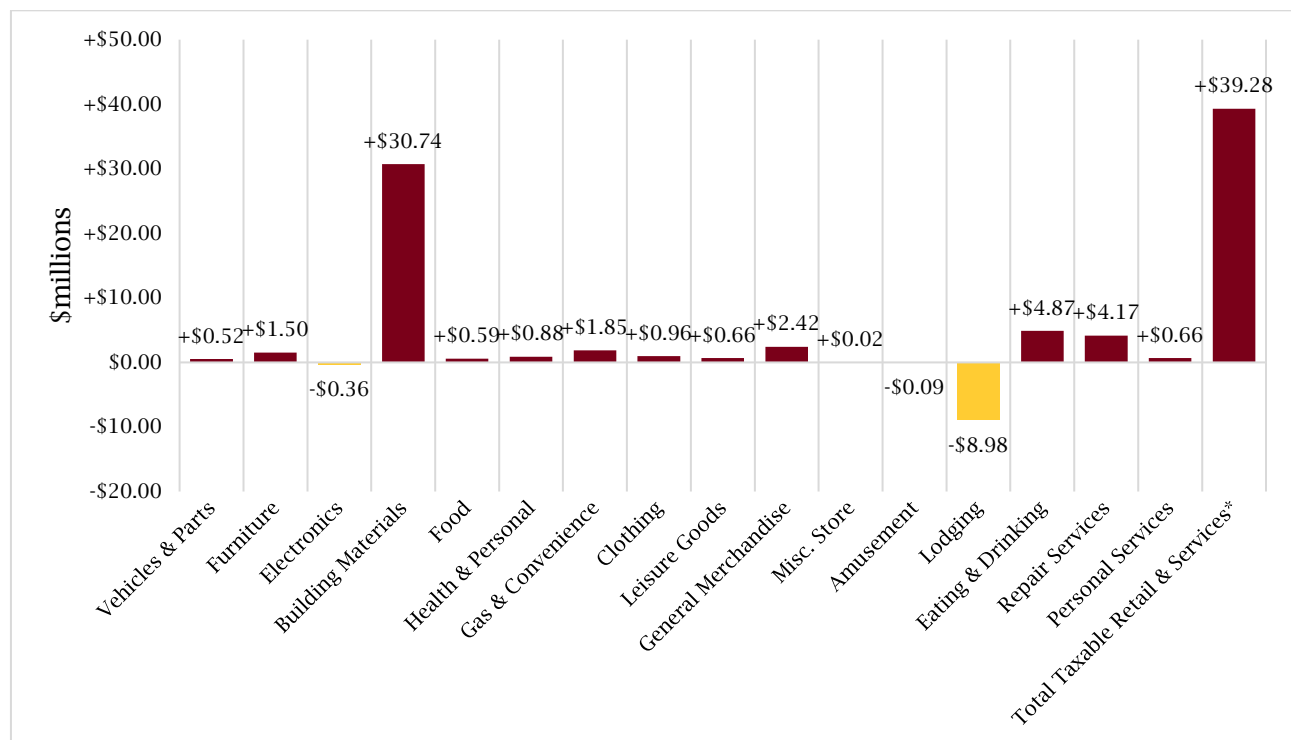


Willmar Selected Components of Change*, 2019 to 2021

| Merchandise Category | Taxable Sales 2019 | Taxable Sales 2021 | Dollar Change | Percent Change | Dollar Change (millions) |
|--|-----------------------|-----------------------|---------------------|-------------------|--------------------------------|
| Vehicles & Parts | \$15,054,937 | \$15,576,003 | +\$521,066 | +3.46% | +\$0.52 |
| Furniture | \$10,859,900 | \$12,357,962 | +\$1,498,062 | +13.79% | +\$1.50 |
| Electronics | \$5,531,400 | \$5,171,139 | -\$360,261 | -6.51% | -\$0.36 |
| Building Materials | \$76,980,705 | \$107,719,256 | +\$30,738,551 | +39.93% | +\$30.74 |
| Food | \$22,376,788 | \$22,970,817 | +\$594,029 | +2.65% | +\$0.59 |
| Health & Personal | \$4,022,912 | \$4,900,274 | +\$877,362 | +21.81% | +\$0.88 |
| Gas & Convenience | \$8,700,272 | \$10,548,052 | +\$1,847,780 | +21.24% | +\$1.85 |
| Clothing | \$2,584,839 | \$3,542,166 | +\$957,327 | +37.04% | +\$0.96 |
| Leisure Goods | \$1,997,484 | \$2,659,248 | +\$661,764 | +33.13% | +\$0.66 |
| General Merchandise | \$46,859,574 | \$49,275,471 | +\$2,415,897 | +5.16% | +\$2.42 |
| Misc. Store | \$9,772,182 | \$9,796,653 | +\$24,471 | +0.25% | +\$0.02 |
| Amusement | \$2,162,916 | \$2,072,513 | -\$90,403 | -4.18% | -\$0.09 |
| Lodging | \$30,364,628 | \$21,380,528 | -\$8,984,100 | -29.59% | -\$8.98 |
| Eating & Drinking | \$42,581,150 | \$47,450,851 | +\$4,869,701 | +11.44% | +\$4.87 |
| Repair Services | \$14,121,385 | \$18,291,233 | +\$4,169,848 | +29.53% | +\$4.17 |
| Personal Services | \$1,862,474 | \$2,521,313 | +\$658,839 | +35.37% | +\$0.66 |
| Total Taxable Retail & Services | \$322,895,274 | \$362,175,388 | \$39,280,114 | +12.16% | +\$39.28 |

* Figures not adjusted for inflation.

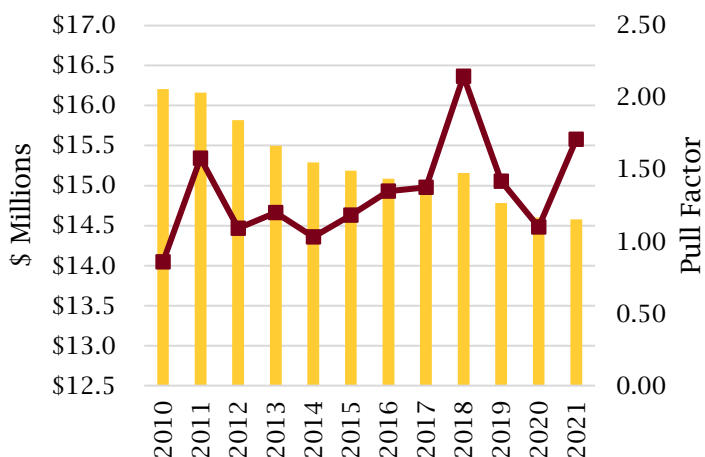
Taxable Sales Changes by Merchandise Category, 2019 to 2021



Recent Trends By Merchandise Category

Pull Factor \$ Millions

Vehicles & Parts

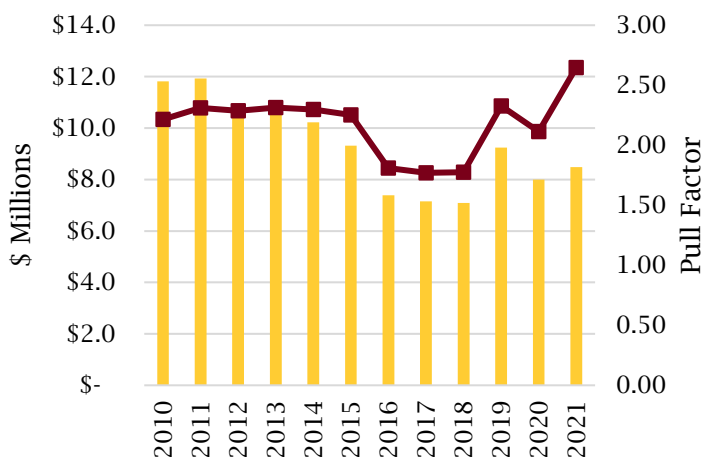


4.3% of Willmar's taxable sales in 2021

Sales per capita are \$739

Stores in the Motor Vehicle and Parts Dealers subsector retail motor vehicles and parts from fixed point-of-sale locations. This can include automobiles, campers, RV's, boats, out-board motors, sailboats, snowmobiles, motorcycles, and all-terrain vehicles. On-road vehicle sellers do not collect sales tax but rather Motor Vehicle Tax. Sales tax is collected on boats, snowmobiles, dirt bikes, ATVs, and parts.

Furniture



3.4% of Willmar's taxable sales in 2021

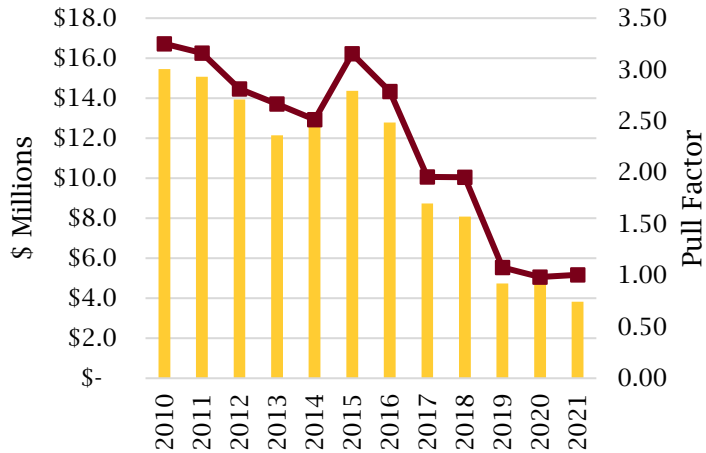
Sales per capita are \$586

Stores in the Furniture and Home Furnishings subsector retail new furniture and home furnishings from fixed point-of-sale locations. This can include bed stores, office furniture, carpet stores, window treatments, lamps, framing shops, linens, and kitchenware.

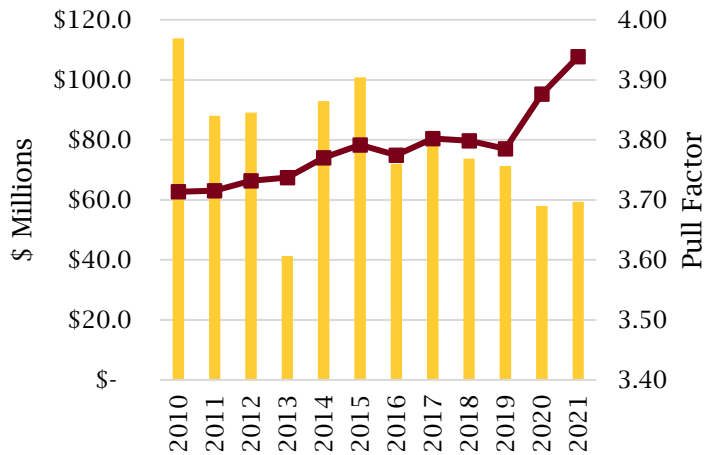
Recent Trends By Merchandise Category

■ Pull Factor ■ \$ Millions

Electronics



Building Materials



This page looks at several merchandise categories to chart the multi-year trend in taxable sales and pull factor.

NA=Suppressed Data

1.4% of Willmar's taxable sales in 2021

Sales per capita are \$245

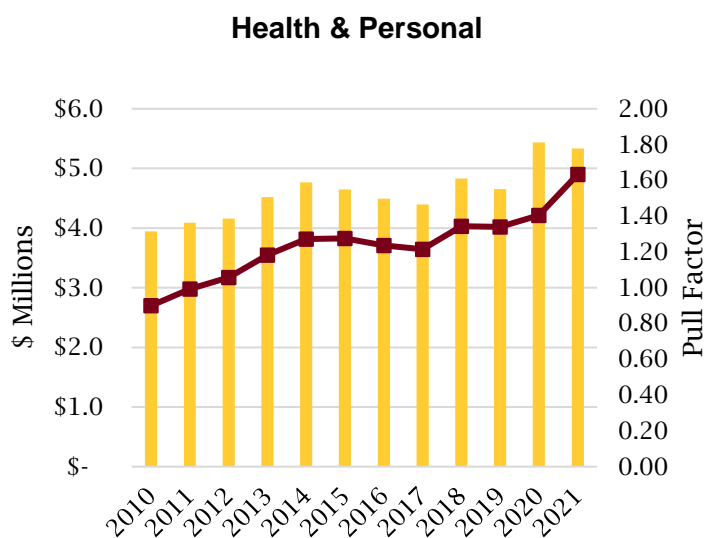
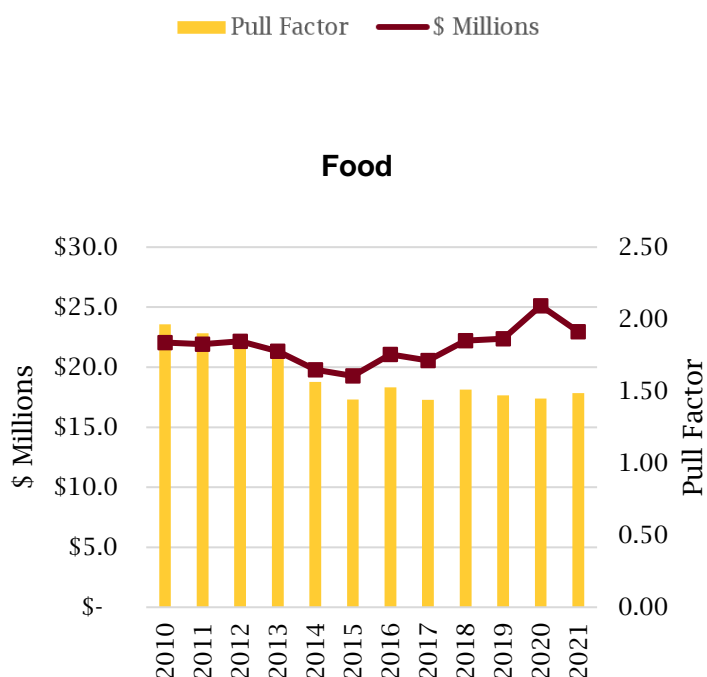
Stores in the Electronics and Appliance subsector retail new electronics and appliances from point-of-sale locations. This can include household appliances, sewing machines, vacuum cleaners, computers, cameras, telephones, cell phones, televisions, and radios.

29.7% of Willmar's taxable sales in 2021

Sales per capita are \$5111

Stores in the Building Material and Garden Equipment and Supplies Dealers subsector retail new building material and garden equipment and supplies. This includes home improvement centers and stores that sell paint, wallpaper, ceramic tile, fencing, windows, roofing, siding, hardware, and plumbing.

Recent Trends By Merchandise Category



This page looks at several merchandise categories to chart the multi-year trend in taxable sales and pull factor.

NA=Suppressed Data

6.3% of Willmar's taxable sales in 2021

Sales per capita are \$1,090

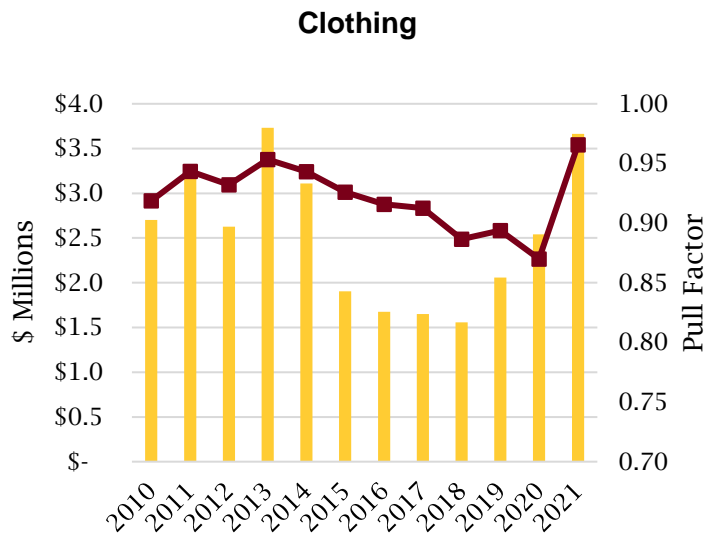
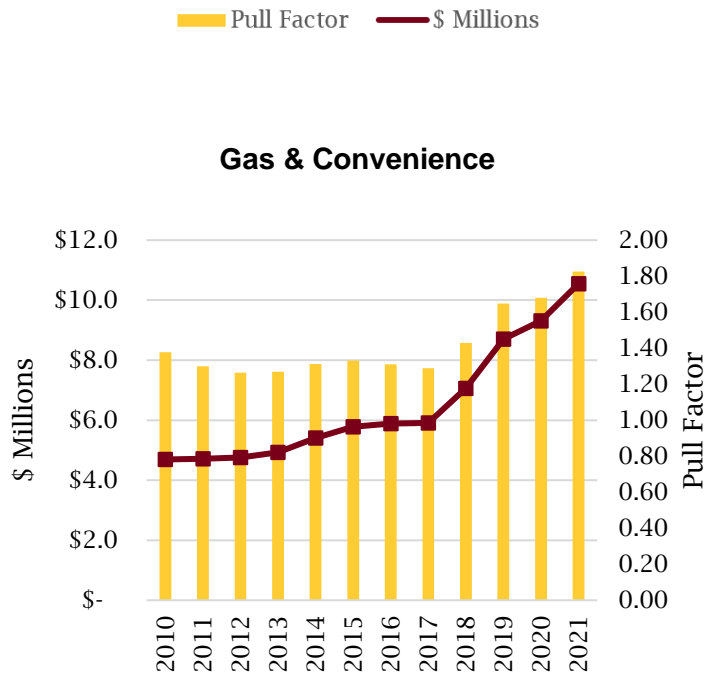
Stores in the Food and Beverage Stores subsector usually retail food and beverages merchandise from fixed point-of-sale locations. This can include grocery stores, liquor stores, bakeries, candy shops, butcher stores, meat markets, and produce markets.

1.4% of Willmar's taxable sales in 2021

Sales per capita are \$0,233

Stores in the Health and Personal Care Stores subsector retail health and personal care merchandise from fixed point-of-sale locations. This includes drug stores, health supplement stores, hearing aid stores, optical goods stores, cosmetic stores, medical supply stores, etc.

Recent Trends By Merchandise Category



This page looks at several merchandise categories to chart the multi-year trend in taxable sales and pull factor.

NA=Suppressed Data

2.9% of Willmar's taxable sales in 2021

Sales per capita are \$500

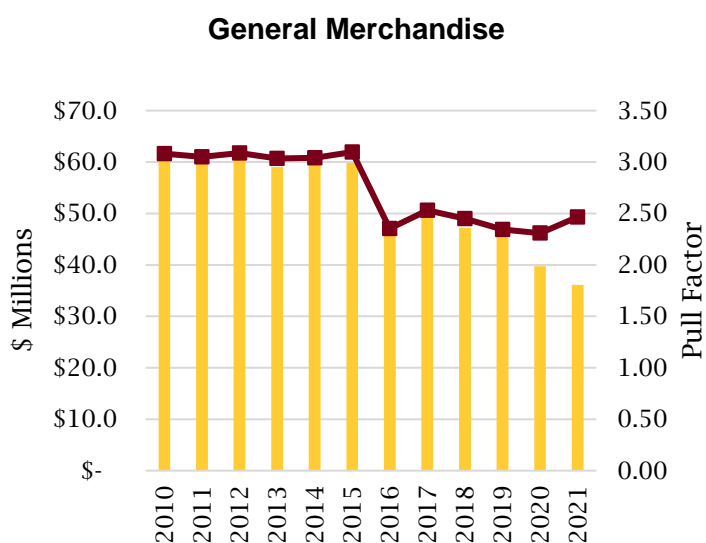
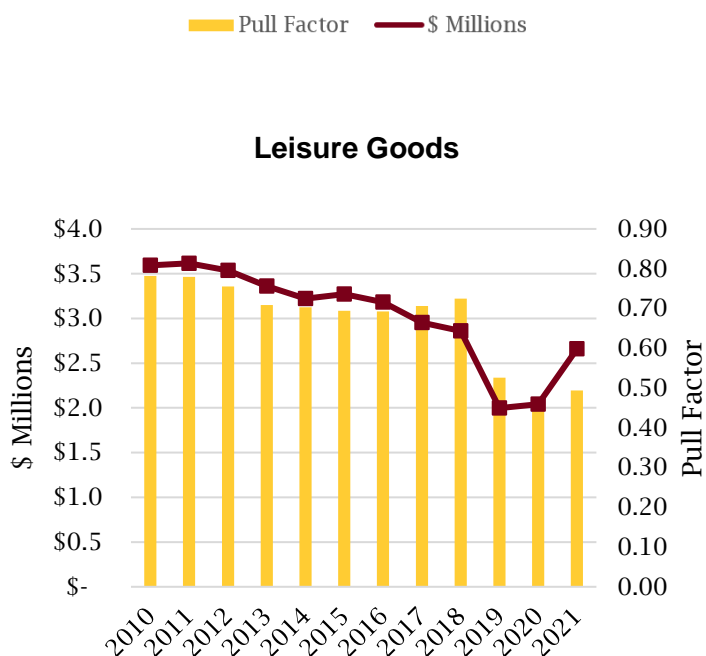
Stores in the Gasoline Stations subsector group establishments retailing automotive fuels (e.g., gasoline, diesel fuel, gasohol) and automotive oils and retailing these products in combination with convenience store items. This includes truck stops, C-stores, marine service stations, and ordinary gas stations that sell automotive supplies.

1.0% of Willmar's taxable sales in 2021

Sales per capita are \$168

Stores in the Clothing and Clothing Accessories Stores subsector retailing new clothing and clothing accessories. Besides clothing stores, it includes shops that sell jewelry, shoes, luggage, handbags, wigs, ties, bridal gowns, furs, uniforms, T-shirts, baby clothing, swimsuits, and lingerie.

Recent Trends By Merchandise Category



This page looks at several merchandise categories to chart the multi-year trend in taxable sales and pull factor.

NA=Suppressed Data

0.7% of Willmar's taxable sales in 2021

Sales per capita are \$126

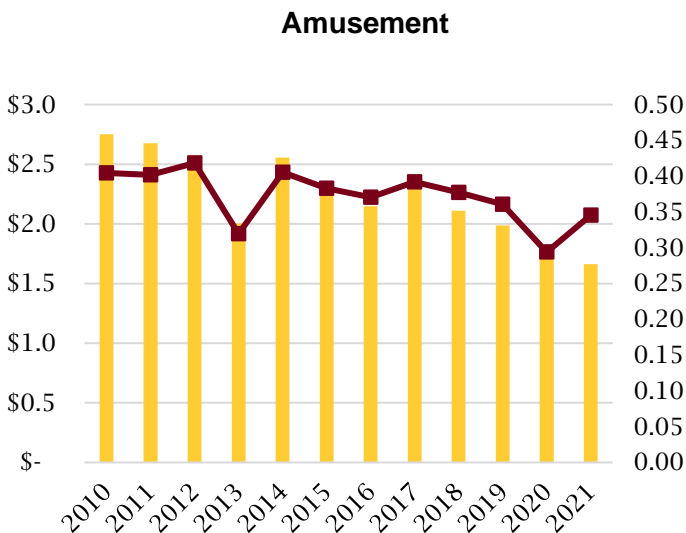
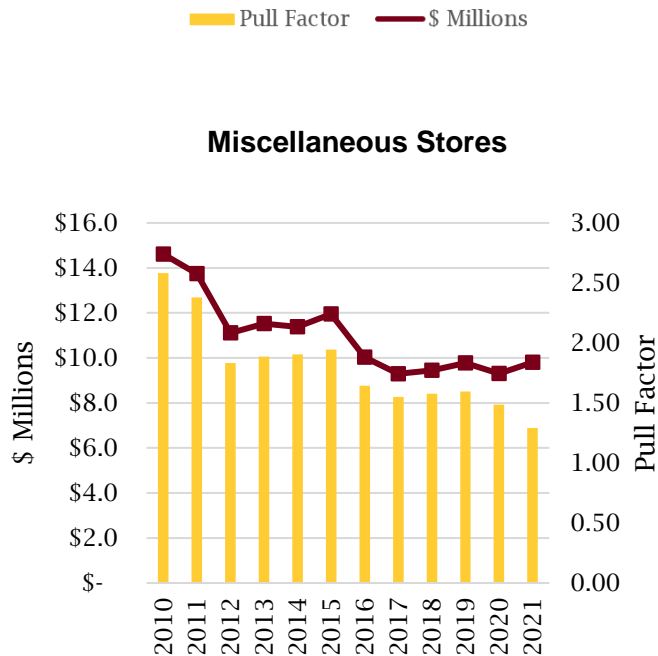
Stores in the Sporting Goods, Hobby, Book, and Music Stores subsector are engaged in retailing and providing expertise on use of sporting equipment or other specific leisure activities, such as needlework and musical instruments. Newsstands also fit in this subsector.

13.6% of Willmar's taxable sales in 2021

Sales per capita are \$2338

Stores in the General Merchandise subsector retail new general merchandise and are unique in that they have the equipment and staff capable of retailing a large variety of goods from a single location. This includes department stores, superstores, dollar stores, and variety stores.

Recent Trends By Merchandise Category



This page looks at several merchandise categories to chart the multi-year trend in taxable sales and pull factor.

NA=Suppressed Data

2.7% of Willmar's taxable sales in 2021

Sales per capita are \$465

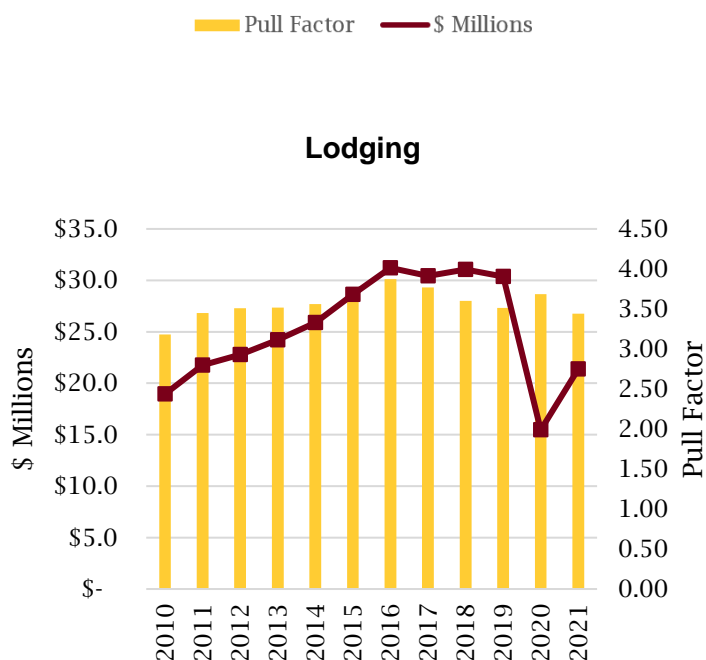
*Establishments such as florists, used merchandise stores, and pet and pet supply stores as well as other store retailers. **Also, if a community had fewer than 4 stores in a previous sector, it was included in this category. This may cause unrealistically high Pull Factors.***

0.6% of Willmar's taxable sales in 2021

Sales per capita are \$98

Establishments include casinos, bowling lanes, water parks, amusement parks, arcades, bingo halls, golf courses, ski slopes, marinas, dance or fitness centers, recreational clubs, ice rinks, swimming pools, roller rinks, and the like.

Recent Trends By Merchandise Category

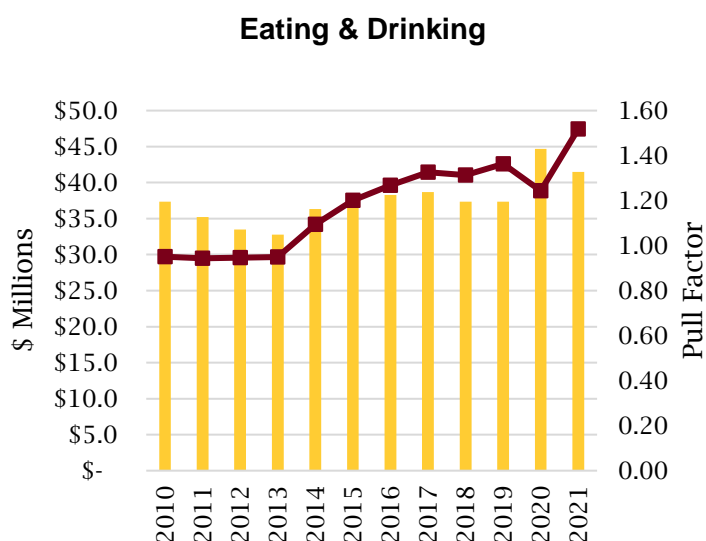


This page looks at several merchandise categories to chart the multi-year trend in taxable sales and pull factor.
NA=Suppressed Data

5.9% of Willmar's taxable sales in 2021

Sales per capita are \$1014

These businesses provide lodging or short-term accommodations for travelers, vacationers, and others. Included are hotels, motels, lodges, bed & breakfasts, campgrounds, fraternities, boarding houses, and dormitories.

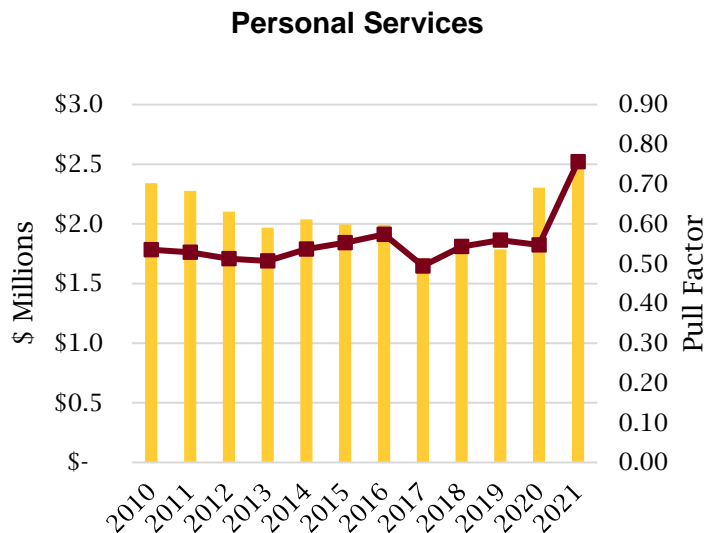
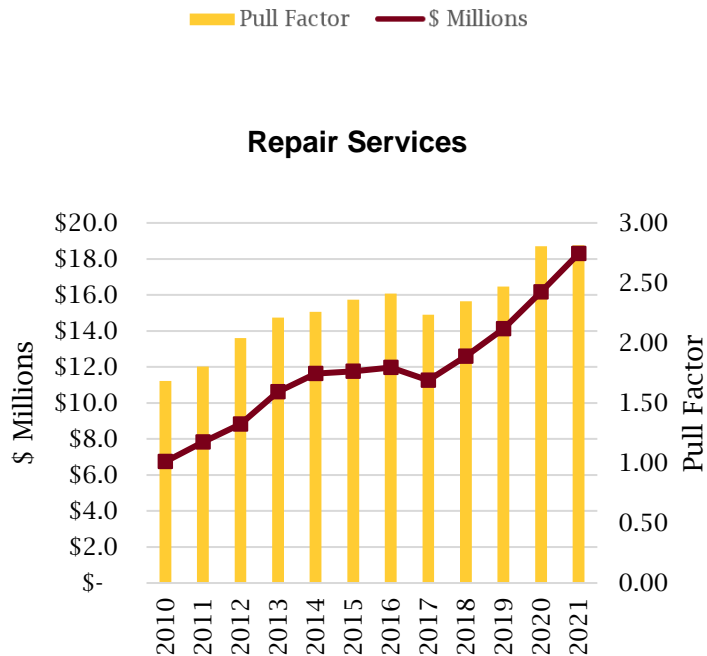


13.1% of Willmar's taxable sales in 2021

Sales per capita are \$2251

These businesses sell food at full-service or limited-service establishments. It includes cafeterias, bagel shops, ice cream parlors, snack bars, food service contractors, caterers, lunch wagons, and street vendors. It also includes bars, taverns, and nightclubs.

Recent Trends By Merchandise Category



This page looks at several merchandise categories to chart the multi-year trend in taxable sales and pull factor.

NA=Suppressed Data

5.1% of Willmar's taxable sales in 2021

Sales per capita are \$868

*The Repair and Maintenance subsector restore machinery, equipment, and other products to working order. It does **not** include plumbers & electricians. It does include repairs to autos, cameras, radios, televisions, computers, copiers, appliances, lawn mowers, specialized equipment, small engines, furniture, shoes, guns, etc.*

0.7% of Willmar's taxable sales in 2021

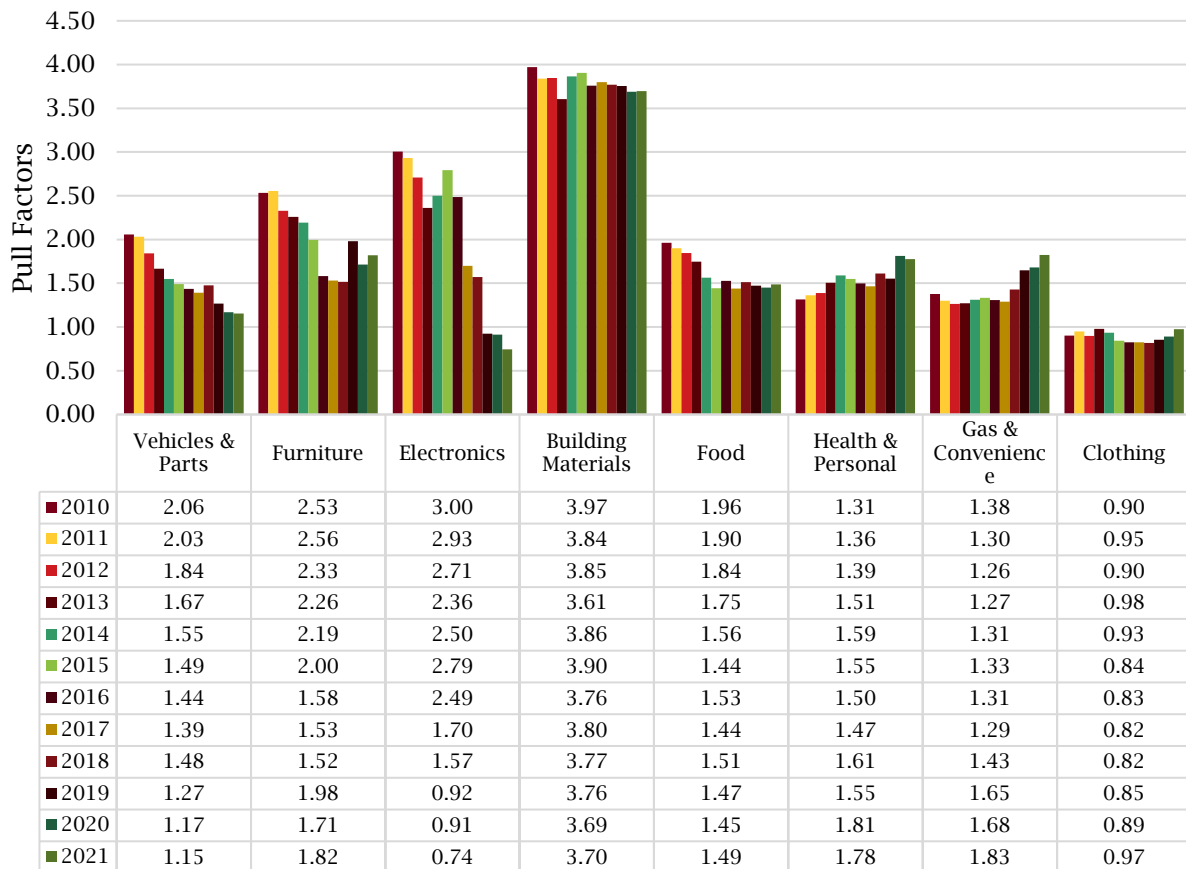
Sales per capita are \$120

Services performed include: personal care services; barber shops & beauty parlors; death care services; laundry and drycleaning services; and a wide range of other personal services, such as pet care (except veterinary) services, photofinishing services, temporary parking services, and dating services.

Recent Trends By Merchandise Category: Willmar

The following tables and charts depict pull factors in Willmar from 2010 to 2021 by merchandise category. Pull factors are a measure of trade area size that provide a useful measure of change over time because they account for changes in population and state-wide industry trends.

Pull Factors by NAICS Merchandise Category (1 of 2)



NAICS Category Descriptions

Motor Vehicles & Parts: Establishments that sell new & used autos, boats, motorcycles, golf carts, RV's, campers, snowmobiles, trailers, tires, and parts.

Furniture: Stores that sell furniture, beds, carpeting, window coverings, lamps, china, kitchenware, & woodburning stoves.

Electronics: Establishments primarily engaged in retailing household-type appliances, sewing machines, cameras, computers, and other electronic goods.

Building Materials: Establishments that sell lumber, hardware, paint, wallpaper, tile, hardwood floors, roofing, fencing, ceiling fans, lawn equipment, and garden centers.

Food: Grocery stores, deli's, bakery, & butcher shops that sell food to be prepared at home. Liquor stores.

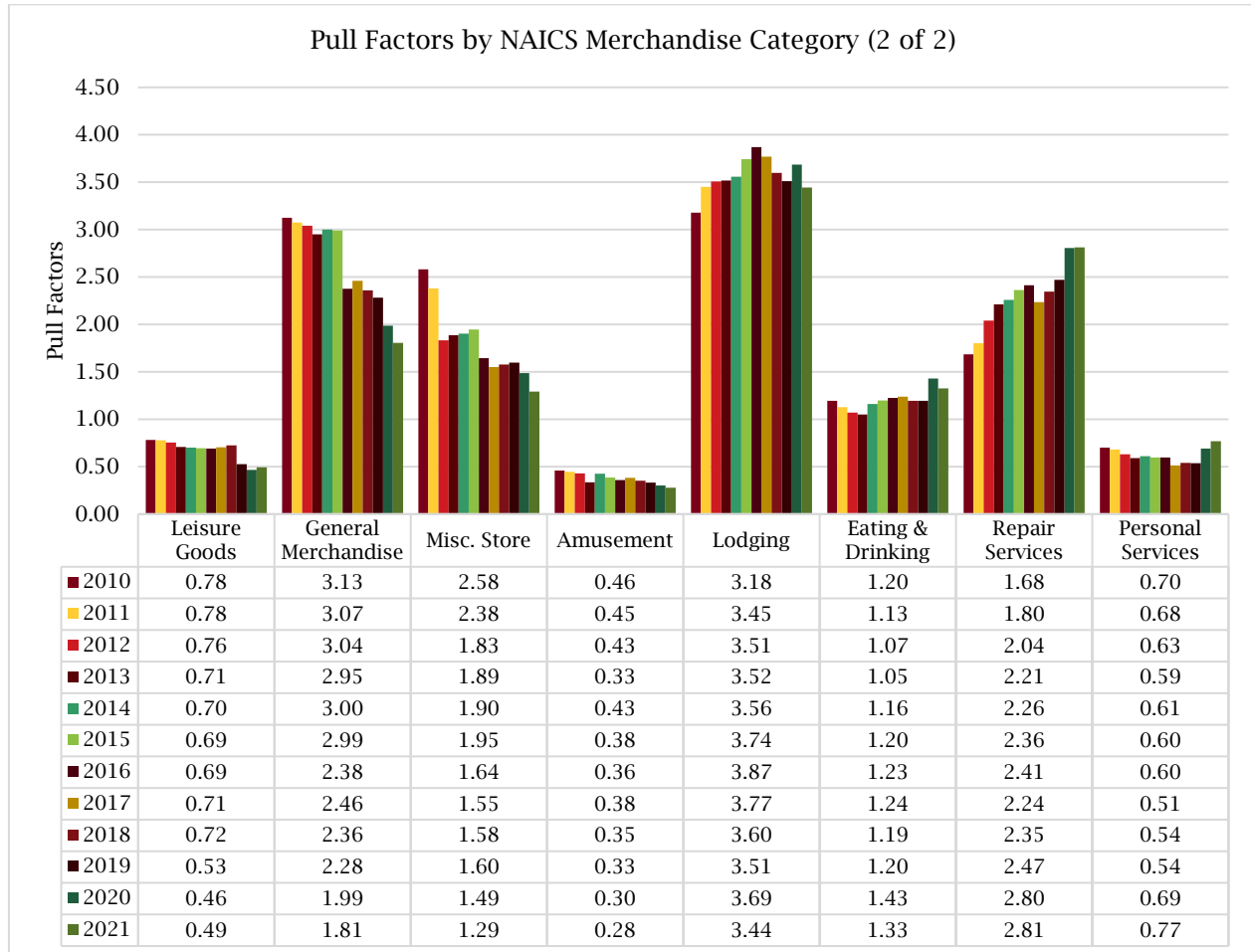
Health & Personal: Pharmacies, food supplements, vision supplies, cosmetics, & hearing aid stores.

Gas Stations/Convenience Store: Retailers that sell fuel along with convenience store items.

Leisure Goods: Sporting goods, books, music, hobby stores, fabric shops, and toy stores.

Recent Trends By Merchandise Category: Willmar

The following tables and charts depict pull factors in Willmar from 2010 to 2021 by merchandise category. Pull factors are a measure of trade area size that provide a useful measure of change over time because they account for changes in population and state-wide industry trends.



NAICS Category Descriptions

General Merchandise: Establishments that sell a mixed line of goods. Examples are department stores, supercenters, and dollar stores.

Miscellaneous Store Retailers: Stores not covered in other categories such as florists, office supplies, pets, antiques, tobacco, art, used merchandise, and trophies. (see Suppressed Data in Cautions section)

Non-Store Retail: Retailers that do not use stores. This includes mail order, internet selling, bazaars, vending machines, fuel oil dealers, firewood dealers, door-to-door sales, and produce stands.

Amusement: Establishments such as golf courses, bowling lanes, marinas, amusement parks, water parks, shooting ranges, pool halls, horseback riding, ballrooms, health club facilities, ski hills, and casinos.

Lodging: Seasonal resorts, hotels, boarding houses, bed & breakfast, campgrounds, and RV parks.

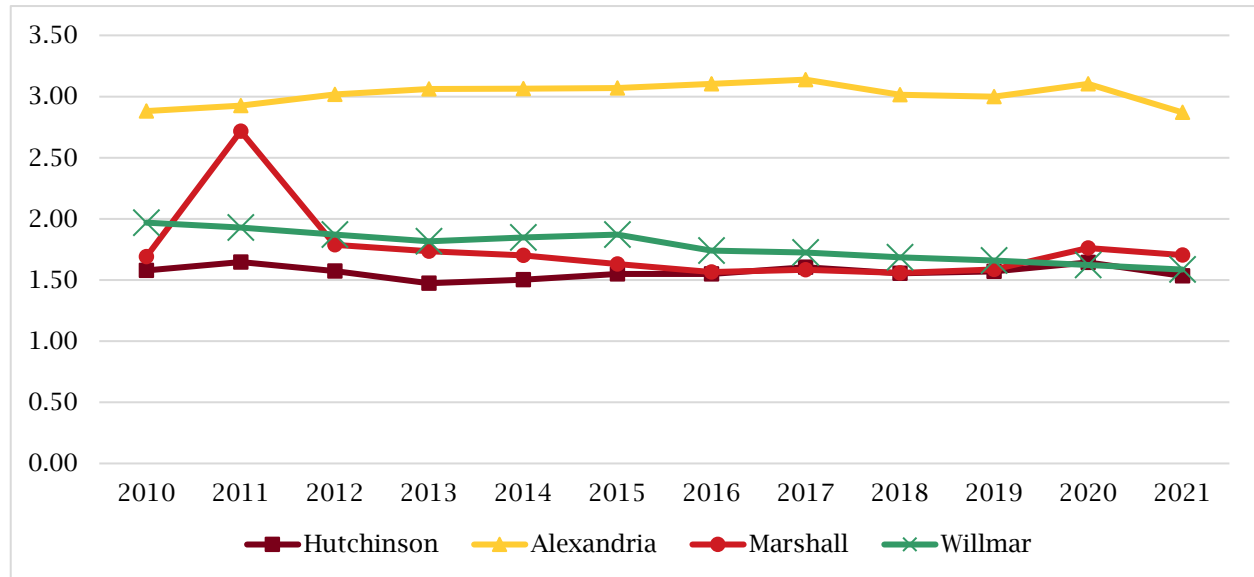
Eating & Drinking: Restaurants, donut shops, coffee house, cafeteria, caterers, taverns, and nightclubs.

Repair: Businesses that return items to working order. Examples: cars, lawnmowers, small engines, knives, shoes, computers, furniture, and appliances.

Comparison with Competing Centers

Information about competing trade centers can provide a useful means of comparison when assessing a community's retail trade sector. Comparison towns were selected based on geographic proximity, relative size, and availability of data. Some caution is warranted in the interpretation of these comparisons, however, as retail sales data is provided for only a limited number of towns and cities.

Comparison of Pull Factors of Competing Centers Over Time



Comparison with Competing Trade Centers

| Town | Population | Gross Sales (\$millions) | Taxable Sales (\$millions) | Number of Firms | Per Capita Taxable Sales | Pull Factor (Taxable Sales) |
|------------|------------|--------------------------|----------------------------|-----------------|--------------------------|-----------------------------|
| Willmar | 21,076 | \$1,047.97 | \$362.18 | 449 | 17,184 | 1.59 |
| Hutchinson | 14,703 | \$501.64 | \$244.48 | 309 | 16,628 | 1.53 |
| Alexandria | 14,690 | \$1,046.67 | \$457.01 | 591 | 31,110 | 2.87 |
| Marshall | 13,618 | \$553.67 | \$251.66 | 330 | 18,480 | 1.70 |

Rural Community Trade Area Analysis: Willmar

The following table provides information on retail sales by merchandise category. Expected sales is a standard to which actual performance is compared. When calculating expected sales, population and income characteristics, as well as the typical pulling power of similar rural communities are taken into account. Expected sales can be used as a guideline or "par value" in analyzing retail strength.

Deviations from these norms can be analyzed to first judge whether they should be considered relevant. If the differences appear to be significant (whether in dollar amounts or relatively with percentages), additional consideration is merited. Categories with undesirable performance may be further examined for potential corrective action. It is also important to determine whether or not the situation is relatively uncontrollable due to external or extenuating circumstances. In cases of favorable differences from expectations, positive aspects can be identified and built upon.

Trade Area Analysis by Merchandise Category, 2021

| Merchandise Category | Expected Sales (\$millions) | Actual Sales (\$millions) | Variance Between Actual & Expected | | Trade Area Pop. Gain or Loss | Number of Firms | Percent of Total Sales |
|---|-----------------------------|---------------------------|------------------------------------|------------------|------------------------------|-----------------|------------------------|
| | | | In Dollars (millions) | As % of Expected | | | |
| Vehicles & Parts | \$18.08 | \$15.58 | -\$2.50 | -13.8% | +2,916 | 13 | 4.3% |
| Furniture | \$6.03 | \$12.36 | +\$6.33 | +105.0% | +22,127 | 6 | 3.4% |
| Electronics | \$4.73 | \$5.17 | +\$0.44 | +9.4% | +1,972 | 9 | 1.4% |
| Building Materials | \$57.74 | \$107.72 | +\$49.98 | +86.5% | +18,241 | 12 | 29.7% |
| Food | \$19.24 | \$22.97 | +\$3.73 | +19.4% | +4,088 | 17 | 6.3% |
| Health & Personal | \$3.14 | \$4.90 | +\$1.76 | +55.9% | +11,771 | 12 | 1.4% |
| Gas & Convenience | \$8.79 | \$10.55 | +\$1.76 | +20.0% | +4,215 | 11 | 2.9% |
| Clothing | \$2.36 | \$3.54 | +\$1.18 | +50.1% | +10,560 | 18 | 1.0% |
| Leisure Goods | \$2.94 | \$2.66 | -\$0.28 | -9.5% | +1,995 | 6 | 0.7% |
| General Merchandise | \$59.83 | \$49.28 | -\$10.55 | -17.6% | +3,718 | 6 | 13.6% |
| Misc. Store | \$14.71 | \$9.80 | -\$4.91 | -33.4% | +7,038 | 27 | 2.7% |
| Amusement | \$3.23 | \$2.07 | -\$1.16 | -35.8% | +7,544 | 11 | 0.6% |
| Lodging | \$8.15 | \$21.38 | +\$13.23 | +162.3% | +34,211 | 14 | 5.9% |
| Eating & Drinking | \$41.73 | \$47.45 | +\$5.72 | +13.7% | +2,887 | 54 | 13.1% |
| Repair Services | \$7.58 | \$18.29 | +\$10.71 | +141.2% | +29,759 | 32 | 5.1% |
| Personal Services | \$1.53 | \$2.52 | +\$0.99 | +64.9% | +13,684 | 38 | 0.7% |
| Total Taxable Retail & Services* | \$229.19 | \$362.18 | +\$132.98 | +58.0% | +130,305 | 449 | 100.0% |

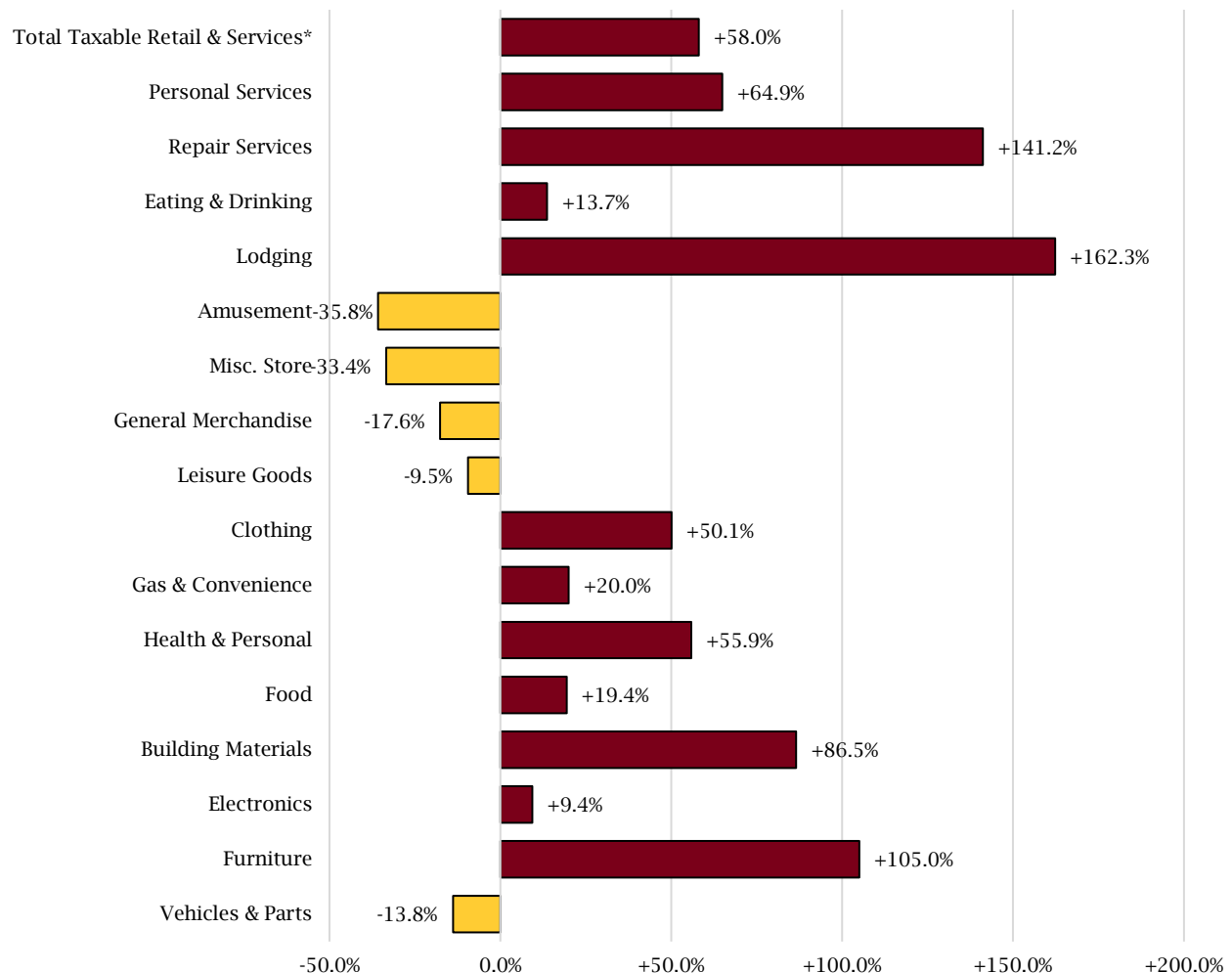
*All retail and service categories are included in total sales, including some categories not shown. Therefore, the merchandise groups shown here generally will not sum to total sales.

Summary of Willmar Retail Trade Analysis

The chart below depicts the percentage amount of Willmar's actual sales were above or below expected sales in 2021 by merchandise group. Of the 16 merchandise categories with reported data, sales in 11 of the categories were above what would be expected based on the performance in similar-sized cities in Greater Minnesota. The strongest merchandise group by this standard is the Lodging category, which has a 162.3 percent surplus. Overall, Willmar had a retail sales surplus of 58.0 percent in 2021.

It is important to note that variations in a city's relative retail performance may occur for a variety of reasons, some of which are beyond the control of local policy. Proximity to larger population centers, management, marketing, and transportation patterns are just a few factors that can cause the retail sales of a particular city to deviate substantially from expected sales. It is important that decision makers consider these influences when constructing policies, plans, or projects.

Percentage of Taxable Sales Above or Below Expected Sales by Merchandise Category

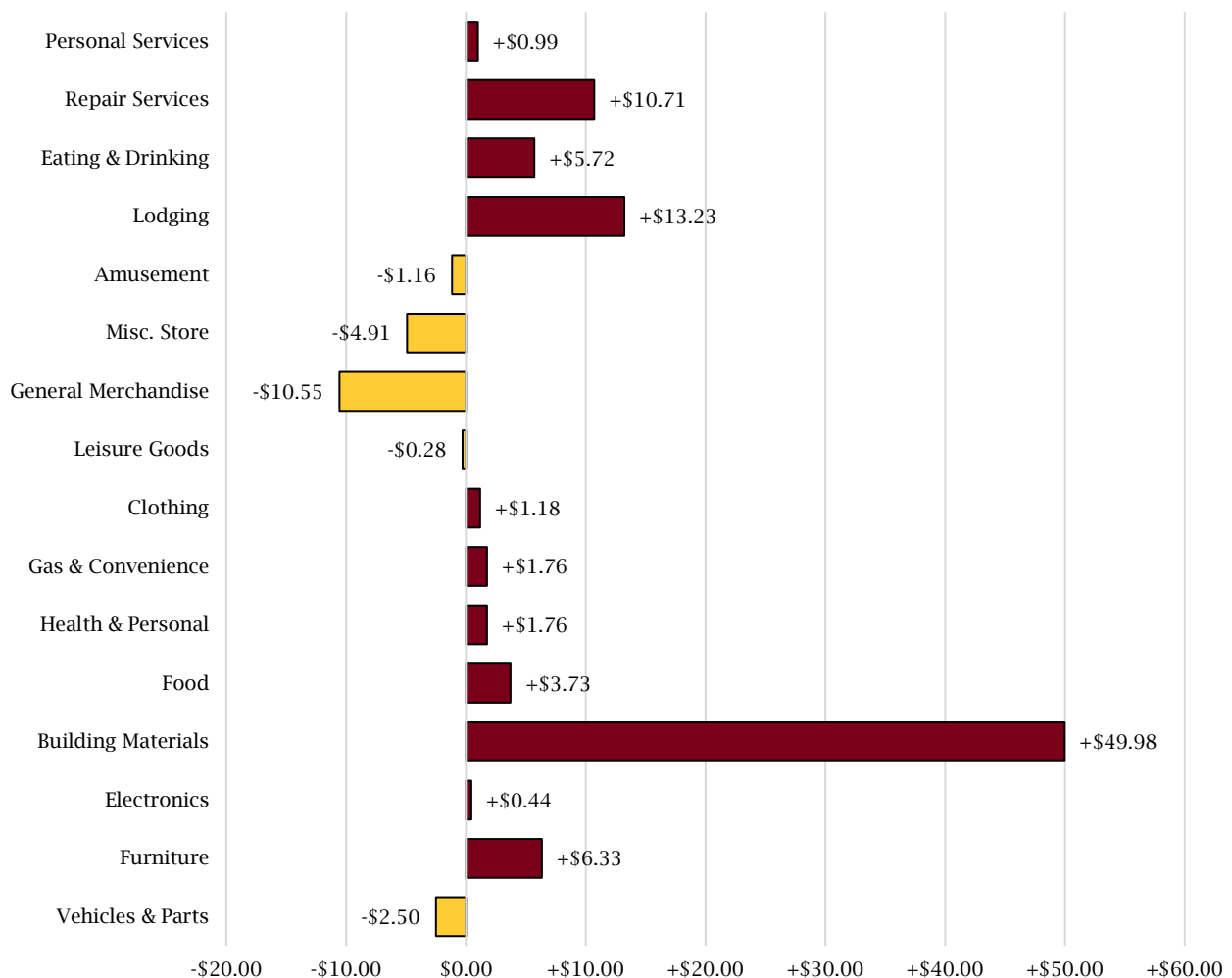


Summary of Willmar Retail Trade Analysis

The chart below depicts the dollar amount of Willmar's actual sales that were above or below expected sales in 2021 by merchandise group. Of the 16 merchandise categories with reported data, sales in 11 of the categories were above what would be expected based on the performance in similar-sized cities in Greater Minnesota. The strongest merchandise group by this standard is the Lodging category, which has a \$49.98 million surplus. Overall, Willmar had a retail surplus of \$133.0 million in 2021.

It is important to note that variations in a city's relative retail performance may occur for a variety of reasons, some of which are beyond the control of local policy. Proximity to larger population centers, management, marketing, and transportation patterns are just a few factors that can cause the retail sales of a particular city to deviate substantially from expected sales. It is important that decision makers consider these influences when constructing policies, plans, or projects.

Millions of \$ of Taxable Sales Above or Below Expected Sales by Merchandise Category



Comparison of Pull Factors by Merchandise Category

2021 Index of "Pulling Power"

Cities Outside the Seven-County Metro Area with Populations Between

12,600 and 29,500 (Range: Populations of Willmar +/- ~ 40%)

| PULL FACTORS | | (26 CITIES) | | | | | | | | | | | | | | | | |
|---------------------|------------|------------------|-----------|-------------|--------------------|------|-------------------|-------------------|----------|---------------|---------------------|-------------|-----------|---------|-------------------|-----------------|-------------------|----------------------------------|
| CITY | Population | Vehicles & Parts | Furniture | Electronics | Building Materials | Food | Health & Personal | Gas & Convenience | Clothing | Leisure Goods | General Merchandise | Misc. Store | Amusement | Lodging | Eating & Drinking | Repair Services | Personal Services | Total Taxable Retail & Services* |
| OWATONNA | 26,647 | 0.75 | 0.19 | | 1.15 | 1.32 | | 1.70 | 0.78 | | 1.87 | 0.83 | | 0.85 | 1.11 | | 0.45 | 1.04 |
| AUSTIN | 26,492 | 0.47 | 0.62 | 0.70 | 0.51 | 1.07 | 1.04 | 1.62 | 0.77 | 0.34 | 1.31 | 0.72 | 0.26 | 0.84 | 0.82 | 0.76 | 0.20 | 0.67 |
| ELK RIVER | 26,179 | 1.71 | 1.08 | 0.24 | 3.41 | 1.19 | 1.21 | 0.93 | 0.36 | 0.66 | 1.37 | 1.56 | 0.74 | | 1.23 | 1.45 | | 1.28 |
| WINONA | 25,405 | 0.65 | | 0.58 | 1.38 | | 0.72 | 1.83 | | 0.41 | 2.30 | | 0.43 | 1.52 | | 0.62 | 0.40 | 1.04 |
| FARIBAULT | 24,298 | 0.89 | 0.32 | 0.45 | 0.45 | 1.34 | 0.95 | 0.77 | 0.67 | 0.26 | | 4.32 | 0.24 | | 0.99 | 0.28 | | 0.74 |
| OTSEGO | 21,289 | 0.00 | | | 0.22 | | | | | | | | | | | | | 0.32 |
| WILLMAR | 21,076 | 1.15 | 1.82 | 0.74 | 3.70 | 1.49 | 1.78 | 1.83 | 0.97 | 0.49 | 1.81 | 1.29 | 0.28 | 3.44 | 1.33 | 2.81 | 0.77 | 1.59 |
| NORTHFIELD | 20,547 | 0.45 | 0.40 | | | 0.86 | | | 0.13 | | | 5.20 | | | 0.98 | | | 0.60 |
| SARTELL | 19,522 | | | | | | | | | | | | | | | | | 1.12 |
| ST MICHAEL | 19,029 | | | | | | | | | | | | | | | | | 0.69 |
| ALBERT LEA | 18,301 | 2.30 | 0.90 | 0.31 | 1.36 | 1.20 | 1.07 | 3.06 | 0.61 | 0.90 | 1.60 | 1.35 | 0.15 | 1.02 | 1.12 | 0.80 | 0.31 | 1.09 |
| RED WING | 16,588 | 4.80 | 1.05 | 0.07 | 2.62 | 1.27 | 0.63 | 0.90 | 0.30 | 0.77 | 2.31 | 0.82 | 0.52 | 2.07 | 1.31 | 1.43 | 0.58 | 1.52 |
| BUFFALO | 16,378 | 1.52 | 0.12 | 0.42 | | 1.26 | 1.23 | | 0.25 | 0.27 | | 13.66 | 0.69 | | 1.27 | 1.17 | | 1.35 |
| HIBBING | 16,064 | 0.65 | 0.32 | | 1.78 | 1.21 | | 2.22 | | | 1.64 | | | | | | | 0.88 |
| BEMIDJI | 15,147 | 5.07 | 2.52 | 2.11 | 5.56 | 2.44 | 3.17 | 2.42 | 4.47 | 2.88 | 4.54 | 3.33 | 0.71 | 3.78 | 2.91 | 2.59 | 0.75 | 2.95 |
| HUTCHINSON | 14,703 | 0.53 | 1.94 | 1.59 | 3.79 | 1.37 | 1.56 | 1.71 | 1.32 | 0.96 | 2.82 | 1.61 | 0.64 | | 1.21 | 0.64 | | 1.53 |
| ALEXANDRIA | 14,690 | 3.17 | 3.25 | 2.73 | 5.39 | 2.34 | 2.81 | 3.29 | 1.24 | 2.39 | 5.64 | 1.16 | 0.98 | 2.04 | 2.24 | 3.31 | 1.95 | 2.87 |
| BRAINERD | 14,679 | 2.17 | 0.38 | 0.89 | 1.18 | 1.24 | 2.48 | 1.10 | 0.44 | 0.56 | | 2.41 | 0.21 | | 1.51 | 0.75 | | 1.01 |
| MONTICELLO | 14,619 | 2.70 | 0.79 | 0.68 | 2.95 | 1.42 | 1.09 | 1.95 | 1.83 | 0.06 | 4.86 | 2.45 | 0.76 | 0.62 | 1.94 | 1.40 | 0.58 | 1.93 |
| NORTH MANKATO | 14,461 | | | | | | | | | | | | | | | | | 0.53 |
| Unadjusted Average* | | 1.51 | 1.00 | 0.77 | 2.24 | 1.41 | 1.29 | 1.72 | 0.73 | 0.62 | 2.48 | 2.19 | 0.49 | 1.48 | 1.32 | 1.32 | 0.53 | 1.13 |

* Raw averages; not adjusted for special circumstances. For example, in cities with a college student population that is large relative to overall population, these pull factors may understate the relative strength of the retail sector. While college students are counted as part of the city population, in general, they spend less than other city residents in many retail categories. Most pull factor outliers were eliminated when calculating typical pull factors used in the expected sales formula.

Comparison of Pull Factors by Merchandise Category

2021 Index of "Pulling Power"

Cities Outside the Seven-County Metro Area with Populations Between

12,600 and 29,500 (Range: Populations of Willmar +/- ~ 40%)

RANKINGS

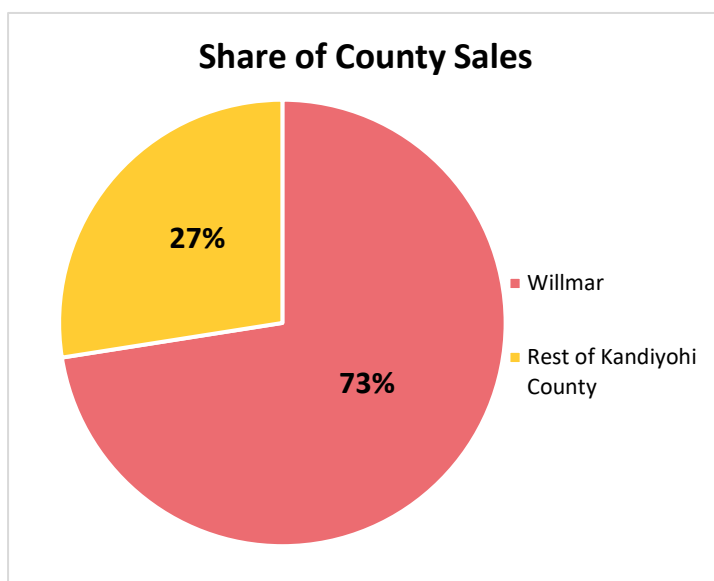
(26 CITIES)

| CITY | Population | Vehicles & Parts | Furniture | Electronics | Building Materials | Food | Health & Personal | Gas & Convenience | Clothing | Leisure Goods | General Merchandise | Misc. Store | Amusement | Lodging | Eating & Drinking | Repair Services | Personal Services | Total Taxable Retail & Services* |
|---------------|------------|------------------|-----------|-------------|--------------------|------|-------------------|-------------------|----------|---------------|---------------------|-------------|-----------|---------|-------------------|-----------------|-------------------|----------------------------------|
| OWATONNA | #1 | #12 | #15 | | #13 | #8 | | #10 | #6 | | #8 | #13 | | #8 | #12 | | #7 | #12 |
| AUSTIN | #2 | #16 | #10 | #7 | #14 | #15 | #11 | #11 | #7 | #11 | #13 | #15 | #11 | #9 | #15 | #10 | #10 | #18 |
| ELK RIVER | #3 | #7 | #5 | #13 | #5 | #14 | #8 | #13 | #12 | #6 | #12 | #9 | #3 | | #9 | #4 | | #8 |
| WINONA | #4 | #14 | | #9 | #10 | | #13 | #6 | | #10 | #7 | | #9 | #5 | | #13 | #8 | #13 |
| FARIBAULT | #5 | #11 | #13 | #10 | #15 | #7 | #12 | #15 | #9 | #13 | | #3 | #12 | | #13 | #14 | | #16 |
| OTSEGO | #6 | #18 | | | #16 | | | | | | | | | | | | | #21 |
| WILLMAR | #7 | #10 | #4 | #6 | #4 | #3 | #4 | #7 | #5 | #9 | #9 | #11 | #10 | #2 | #5 | #2 | #2 | #4 |
| NORTHFIELD | #8 | #17 | #11 | | | #16 | | | #15 | | | #2 | | | #14 | | | #19 |
| SARTELL | #9 | | | | | | | | | | | | | | | | | #10 |
| ST MICHAEL | #10 | | | | | | | | | | | | | | | | | #17 |
| ALBERT LEA | #11 | #5 | #8 | #12 | #11 | #13 | #10 | #2 | #10 | #4 | #11 | #10 | #14 | #7 | #11 | #9 | #9 | #11 |
| RED WING | #12 | #2 | #6 | #14 | #7 | #9 | #14 | #14 | #13 | #5 | #6 | #14 | #7 | #3 | #7 | #5 | #5 | #6 |
| BUFFALO | #13 | #8 | #16 | #11 | | #10 | #7 | | #14 | #12 | | #1 | #5 | | #8 | #8 | | #7 |
| HIBBING | #14 | #13 | #14 | | #9 | #12 | | #4 | | | #10 | | | | | | | #15 |
| BEMIDJI | #15 | #1 | #2 | #2 | #1 | #1 | #1 | #3 | #1 | #1 | #3 | #4 | #4 | #1 | #1 | #3 | #3 | #1 |
| HUTCHINSON | #16 | #15 | #3 | #3 | #3 | #6 | #5 | #9 | #3 | #3 | #4 | #8 | #6 | | #10 | #12 | | #5 |
| ALEXANDRIA | #17 | #3 | #1 | #1 | #2 | #2 | #2 | #1 | #4 | #2 | #1 | #12 | #1 | #4 | #2 | #1 | #1 | #2 |
| BRAINERD | #18 | #6 | #12 | #4 | #12 | #11 | #3 | #12 | #11 | #8 | | #6 | #13 | | #4 | #11 | | #14 |
| MONTICELLO | #19 | #4 | #9 | #8 | #6 | #4 | #9 | #5 | #2 | #14 | #2 | #5 | #2 | #10 | #3 | #6 | #4 | #3 |
| NORTH MANKATO | #20 | | | | | | | | | | | | | | | | | #20 |

Willmar and Kandiyohi County, Comparison, 2021

It is important to review retail performance for the entire county and not just the city in isolation. For example, it is common for county seat towns to have above-average retail performance while the county overall has a leakage of sales. This is usually because the county seat city doesn't have the critical mass of retail to attract purchases by everyone in the county. By analyzing county data, city business officials can develop strategies to recapture some sales being lost to other cities. For counties that have a local option sales tax, the analysis of county sales is extremely important since lost sales are lost tax dollars. A thorough analysis of county sales can help county officials develop more meaningful economic development plans aimed at recapturing lost sales.

The table below shows retail sales and number of firms by merchandise category for Willmar and Kandiyohi County in 2021. Willmar accounted for 73 percent of the county's sales and just under 47 percent of the county's firms.



| Merchandise Category | Willmar | | Kandiyohi County | | City's Share of County Total | |
|---|----------------------------|-----------------|----------------------------|-----------------|------------------------------|--------------|
| | Taxable Sales (\$millions) | Number of Firms | Taxable Sales (\$millions) | Number of Firms | Sales | Firms |
| Vehicles & Parts | \$15.58 | 13 | \$39.34 | 42 | 39.6% | 31.0% |
| Furniture | \$12.36 | 6 | \$14.33 | 15 | 86.3% | 40.0% |
| Electronics | \$5.17 | 9 | \$5.34 | 10 | 96.9% | 90.0% |
| Building Materials | \$107.72 | 12 | \$113.76 | 21 | 94.7% | 57.1% |
| Food | \$22.97 | 17 | \$27.77 | 26 | 82.7% | 65.4% |
| Health & Personal | \$4.90 | 12 | \$4.95 | 19 | 99.0% | 63.2% |
| Gas & Convenience | \$10.55 | 11 | \$17.32 | 26 | 60.9% | 42.3% |
| Clothing | \$3.54 | 18 | \$3.74 | 27 | 94.6% | 66.7% |
| Leisure Goods | \$2.66 | 6 | \$9.10 | 16 | 29.2% | 37.5% |
| General Merchandise | \$49.28 | 6 | \$68.99 | 9 | 71.4% | 66.7% |
| Misc. Store | \$9.80 | 27 | \$10.50 | 62 | 93.3% | 43.5% |
| Amusement | \$2.07 | 11 | \$4.48 | 22 | 46.2% | 50.0% |
| Lodging | \$21.38 | 14 | \$24.77 | 30 | 86.3% | 46.7% |
| Eating & Drinking | \$47.45 | 54 | \$68.80 | 84 | 69.0% | 64.3% |
| Repair Services | \$18.29 | 32 | \$31.44 | 96 | 58.2% | 33.3% |
| Personal Services | \$2.52 | 38 | \$4.32 | 87 | 58.3% | 43.7% |
| Total Taxable Retail & Services* | \$362.18 | 449 | \$499.42 | 965 | 72.5% | 46.5% |

Kandiyohi County Retail Trade Overview

Total Taxable and Gross Retail Sales

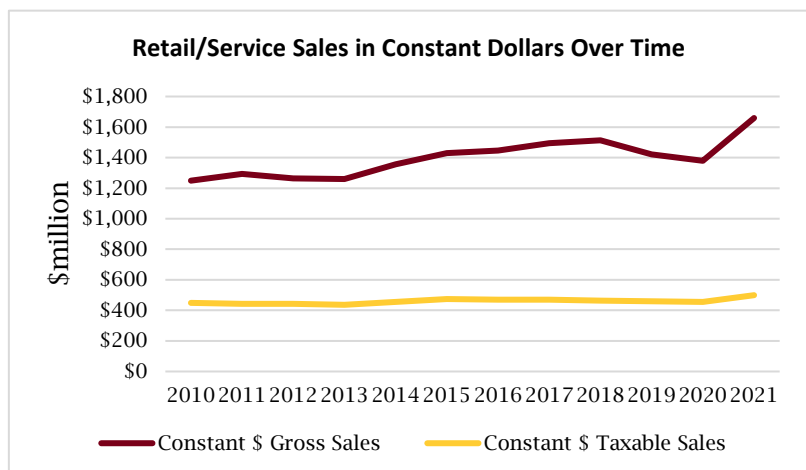
The table below presents gross and taxable retail and services sales for Kandiyohi County from 2010 through 2021. Without inflation adjustments, taxable sales in Kandiyohi County increased 20.5 percent from 2015 to 2021, while the number of firms fell 3.1 percent. Statewide, taxable sales increased 26.2 percent over the same time period and the number of firms fell 2.3 percent. The per capita sales and pull factor data in this table are based on taxable sales, the more verified sales measure.

| Year | Estimated Population | Current Dollars | | Constant 2021 Dollars | | Number of Firms | Per Capita Sales | Pull Factor |
|------------------------|----------------------|---------------------------|----------------------------|---------------------------|----------------------------|-----------------|------------------|-------------|
| | | Gross Sales* (\$millions) | Taxable Sales (\$millions) | Gross Sales* (\$millions) | Taxable Sales (\$millions) | | | |
| 2010 | 42,270 | \$1,007.54 | \$361.79 | \$1,249.18 | \$448.56 | 1041 | \$8,559.03 | 1.11 |
| 2011 | 42,118 | \$1,077.51 | \$368.84 | \$1,293.75 | \$442.86 | 1014 | \$8,757.35 | 1.10 |
| 2012 | 42,315 | \$1,074.07 | \$376.48 | \$1,263.02 | \$442.71 | 1010 | \$8,897.09 | 1.08 |
| 2013 | 42,351 | \$1,104.60 | \$382.50 | \$1,260.45 | \$436.47 | 1015 | \$9,031.73 | 1.05 |
| 2014 | 42,258 | \$1,188.15 | \$398.61 | \$1,355.26 | \$454.67 | 1024 | \$9,432.74 | 1.08 |
| 2015 | 42,510 | \$1,247.74 | \$414.31 | \$1,429.14 | \$474.54 | 996 | \$9,746.10 | 1.08 |
| 2016 | 42,481 | \$1,274.38 | \$414.84 | \$1,445.52 | \$470.55 | 1006 | \$9,765.25 | 1.07 |
| 2017 | 42,768 | \$1,345.83 | \$423.14 | \$1,494.79 | \$469.98 | 1012 | \$9,893.96 | 1.07 |
| 2018 | 42,924 | \$1,396.75 | \$428.75 | \$1,512.78 | \$464.36 | 1023 | \$9,988.53 | 1.05 |
| 2019 | 43,193 | \$1,334.53 | \$431.83 | \$1,421.75 | \$460.05 | 994 | \$9,997.63 | 1.04 |
| 2020 | 43,732 | \$1,311.06 | \$432.49 | \$1,379.99 | \$455.23 | 977 | \$9,889.57 | 1.06 |
| 2021 | 43,809 | \$1,659.19 | \$499.42 | \$1,659.19 | \$499.42 | 965 | \$11,399.86 | 1.05 |
| 7 yr Change '15 to '21 | 3.1% | 33.0% | 20.5% | 16.1% | 5.2% | -3.1% | 17.0% | -3.0% |
| 3 yr Change '19 to '21 | 1.4% | 24.3% | 15.7% | 16.7% | 8.6% | -2.9% | 14.0% | 1.2% |

*Gross sales figures are self-reported by firms and not audited by the Department of Revenue for accuracy

Retail Sales in Constant Dollars

The table also presents sales data in constant 2021 dollars. These figures have been adjusted for inflation to reflect their value in 2021. For example, in 2010, taxable sales in Kandiyohi County totaled \$361.79 million, an amount worth \$448.56 million in 2021 dollars. In constant dollars, gross sales grew 16.1 percent between 2015 and 2021. Constant dollar taxable sales increased 5.2 percent over the same time period.

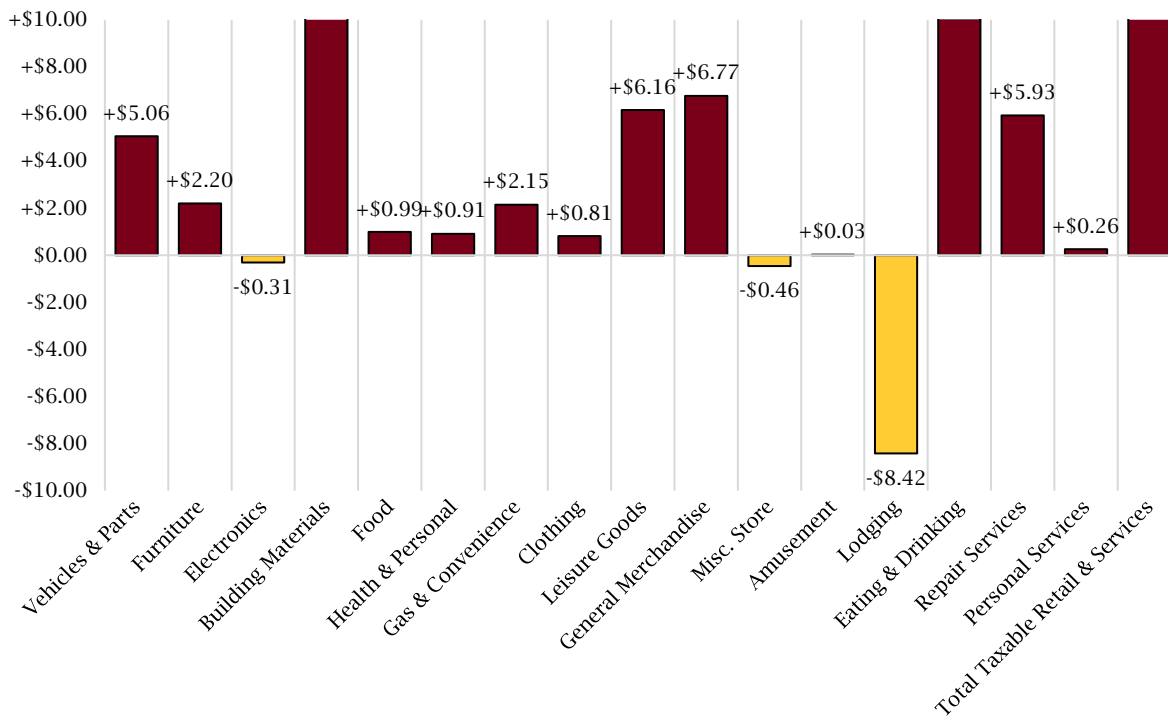


Kandiyohi County Selected Components of Change*, 2019 to 2021

| Merchandise Category | Taxable Sales 2019 | Taxable Sales 2021 | Dollar Change | Percent Change |
|--|-----------------------|-----------------------|----------------------|-------------------|
| Vehicles & Parts | \$34,281,392 | \$39,342,327 | +\$5,060,935 | +14.76% |
| Furniture | \$12,131,108 | \$14,327,003 | +\$2,195,895 | +18.10% |
| Electronics | \$5,646,953 | \$5,338,260 | -\$308,693 | -5.47% |
| Building Materials | \$82,407,860 | \$113,756,422 | +\$31,348,562 | +38.04% |
| Food | \$26,780,047 | \$27,770,335 | +\$990,288 | +3.70% |
| Health & Personal | \$4,035,800 | \$4,949,046 | +\$913,246 | +22.63% |
| Gas & Convenience | \$15,171,216 | \$17,318,200 | +\$2,146,984 | +14.15% |
| Clothing | \$2,931,540 | \$3,743,831 | +\$812,291 | +27.71% |
| Leisure Goods | \$2,934,830 | \$9,099,179 | +\$6,164,349 | +210.04% |
| General Merchandise | \$62,215,368 | \$68,986,504 | +\$6,771,136 | +10.88% |
| Misc. Store | \$10,958,928 | \$10,499,481 | -\$459,447 | -4.19% |
| Amusement | \$4,451,285 | \$4,483,294 | +\$32,009 | +0.72% |
| Lodging | \$33,187,539 | \$24,769,462 | -\$8,418,077 | -25.37% |
| Eating & Drinking | \$58,747,596 | \$68,800,356 | +\$10,052,760 | +17.11% |
| Repair Services | \$25,504,528 | \$31,436,998 | +\$5,932,470 | +23.26% |
| Personal Services | \$4,062,561 | \$4,324,999 | +\$262,438 | +6.46% |
| Total Taxable Retail & Services | \$431,827,765 | \$499,416,621 | +\$67,588,856 | +15.65% |

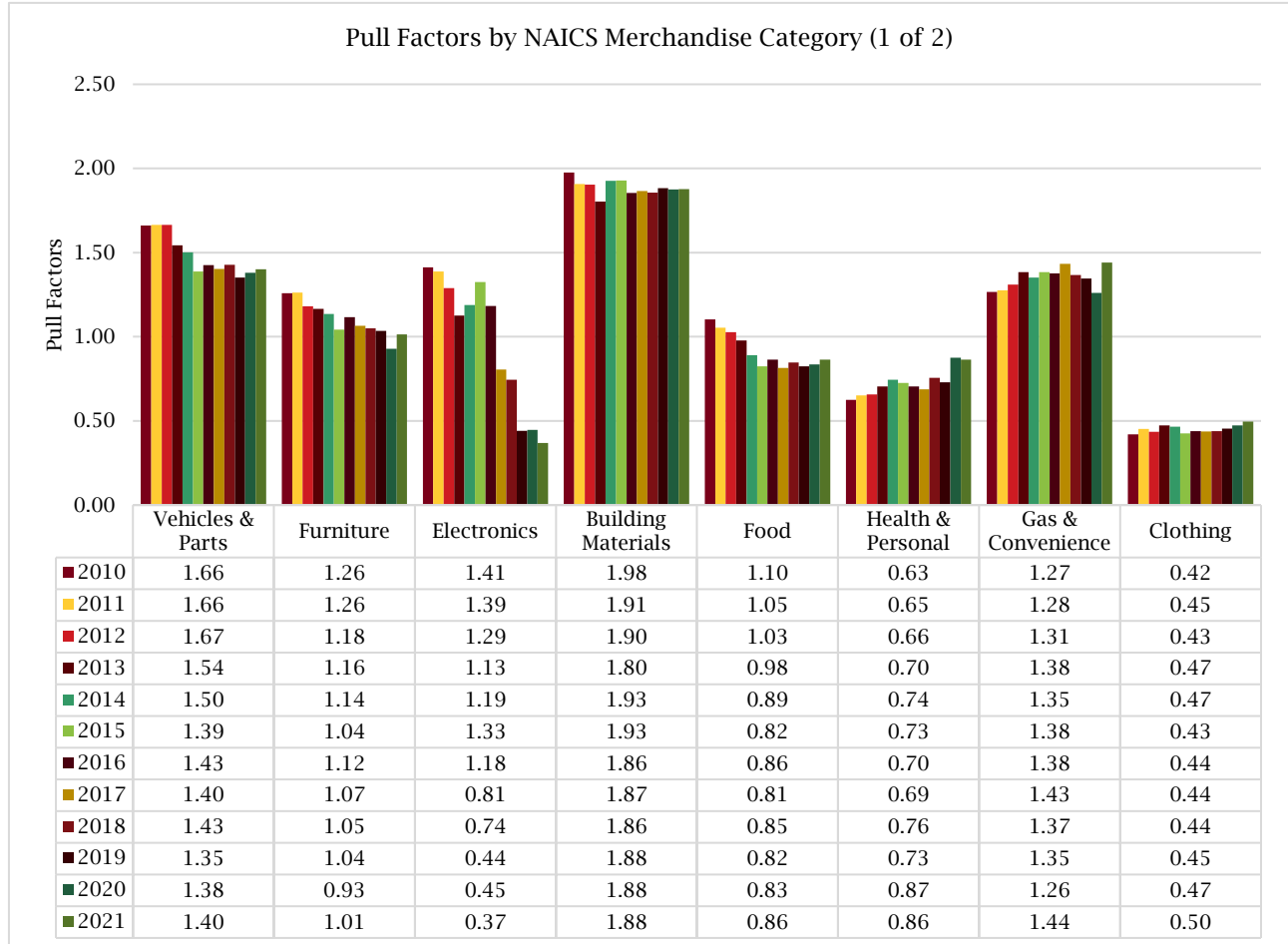
*Figures not adjusted for inflation

Taxable Sales Changes by Merchandise Category, 2019 to 2021



Recent Trends By Merchandise Category: Kandiyohi County

The following tables and charts depict pull factors in Kandiyohi County from 2010 to 2021 by merchandise category. Pull factors are a measure of trade area size that provide a useful measure of change over time because they account for changes in population and state-wide industry trends.



NAICS Category Descriptions

Motor Vehicles & Parts: Establishments that sell new & used autos, boats, motorcycles, golf carts, RV's, campers, snowmobiles, trailers, tires, and parts.

Furniture: Stores that sell furniture, beds, carpeting, window coverings, lamps, china, kitchenware, & woodburning stoves.

Electronics: Establishments primarily engaged in retailing household-type appliances, sewing machines, cameras, computers, and other electronic goods.

Building Materials: Establishments that sell lumber, hardware, paint, wallpaper, tile, hardwood floors, roofing, fencing, ceiling fans, lawn equipment, and garden centers.

Food: Grocery stores, deli's, bakery, & butcher shops that sell food to be prepared at home. Liquor stores.

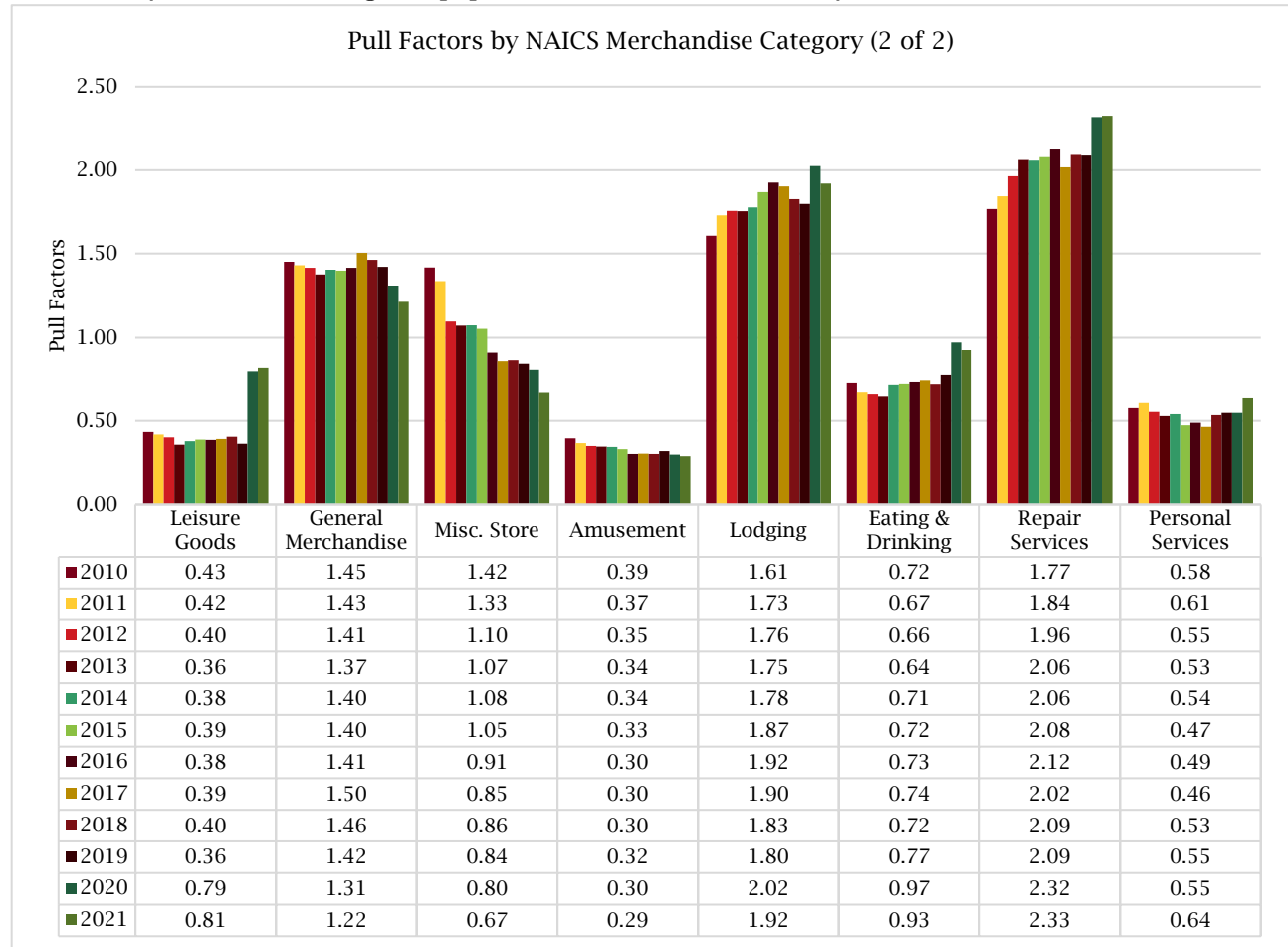
Health & Personal: Pharmacies, food supplements, vision supplies, cosmetics, & hearing aid stores.

Gas Stations/Convenience Store: Retailers that sell fuel along with convenience store items.

Leisure Goods: Sporting goods, books, music, hobby stores, fabric shops, and toy stores.

Recent Trends By Merchandise Category: Kandiyohi County

The following tables and charts depict pull factors in Kandiyohi County from 2010 to 2021 by merchandise category. Pull factors are a measure of trade area size that provide a useful measure of change over time because they account for changes in population and state-wide industry trends.



NAICS Category Descriptions

General Merchandise: Establishments that sell a mixed line of goods. Examples are department stores, supercenters, and dollar stores.

Miscellaneous Store Retailers: Stores not covered in other categories such as florists, office supplies, pets, antiques, tobacco, art, used merchandise, and trophies. (see Suppressed Data in Cautions section)

Non-Store Retail: Retailers that do not use stores. This includes mail order, internet selling, bazaars, vending machines, fuel oil dealers, firewood dealers, door-to-door sales, and produce stands.

Amusement: Establishments such as golf courses, bowling lanes, marinas, amusement parks, water parks, shooting ranges, pool halls, horseback riding, ballrooms, health club facilities, ski hills, and casinos.

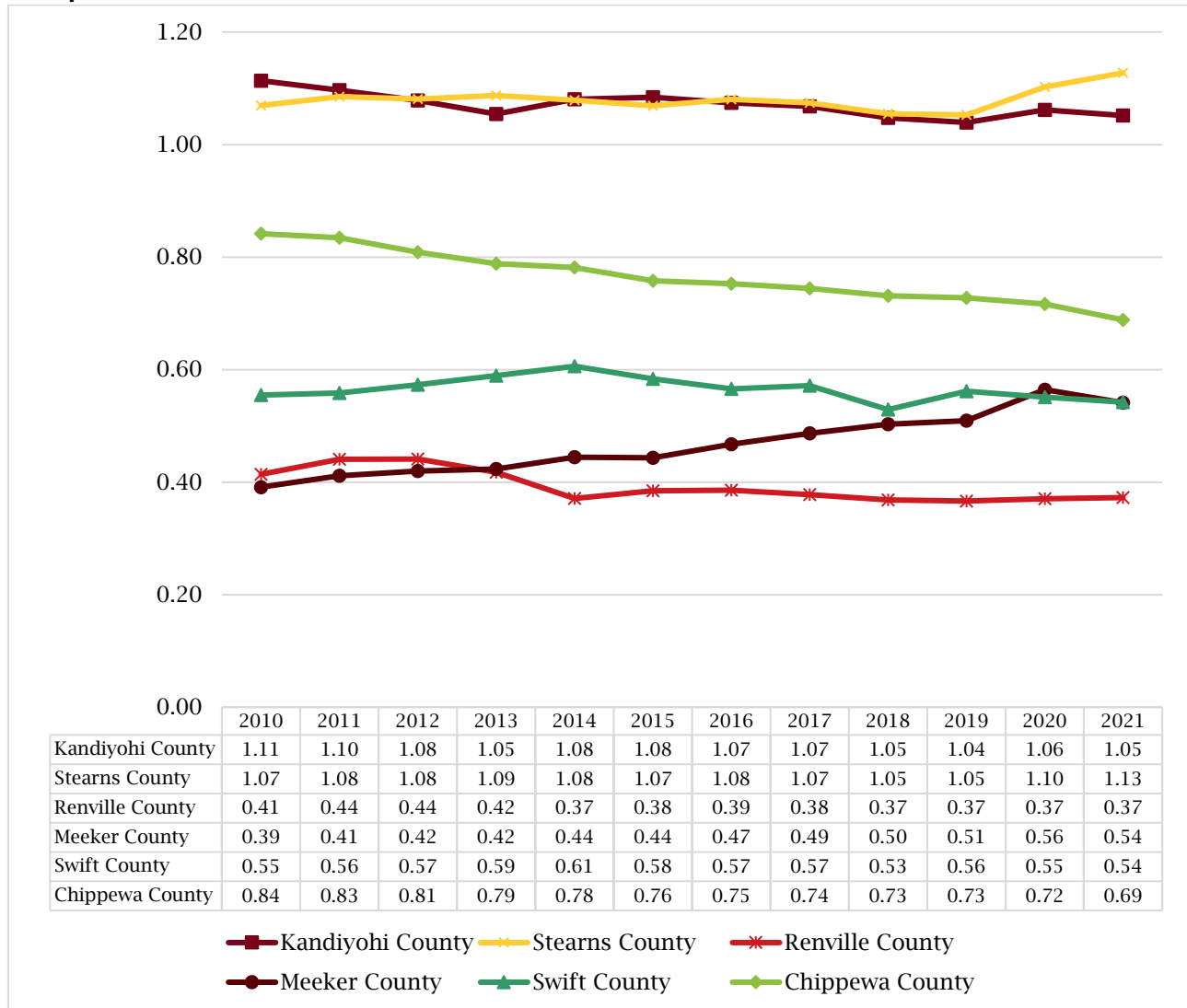
Lodging: Seasonal resorts, hotels, boarding houses, bed & breakfast, campgrounds, and RV parks.

Eating & Drinking: Restaurants, donut shops, coffee house, cafeteria, caterers, taverns, and nightclubs.

Repair: Businesses that return items to working order. Examples: cars, lawnmowers, small engines, knives, shoes, computers, furniture, and appliances.

Comparison with Neighboring Counties

Comparison of Pull Factors Over Time



Comparison with Neighboring Counties, 2021

| Town | Population | Gross Sales (\$millions) | Taxable Sales (\$millions) | Number of Firms | Per Capita Taxable Sales | Pull Factor (Taxable Sales) |
|------------------|------------|--------------------------|----------------------------|-----------------|--------------------------|-----------------------------|
| Kandiyohi County | 43,809 | 1,659.19 | 499.42 | 965 | 11,400 | 1.05 |
| Stearns County | 159,301 | 5,452.74 | 1,946.63 | 3,416 | 12,220 | 1.13 |
| Renville County | 14,608 | 191.58 | 59.03 | 277 | 4,041 | 0.37 |
| Meeker County | 23,499 | 390.35 | 137.88 | 423 | 5,867 | 0.54 |
| Swift County | 9,972 | 197.00 | 58.59 | 204 | 5,876 | 0.54 |
| Chippewa County | 12,498 | 270.85 | 93.26 | 280 | 7,462 | 0.69 |

Trade Area Analysis of Retail Sales: Kandiyohi County

The following table provides information on retail sales by merchandise category. Potential sales is a standard to which actual performance is compared. When calculating potential sales, population and income characteristics are taken into account. Potential sales can be used as a guideline or "par value" when analyzing retail strength.

Deviations from these norms can be analyzed to first judge whether they should be considered relevant. If the differences appear to be significant (whether in dollar amounts or relatively with percentages, additional consideration is merited. Categories with undesirable performance may be further examined for potential corrective action. It is also important to determine whether or not the situation is relatively uncontrollable due to external or extenuating circumstances. In cases of favorable differences from expectations, positive aspects can be identified and built upon.

Trade Area Analysis by Merchandise Category, 2021

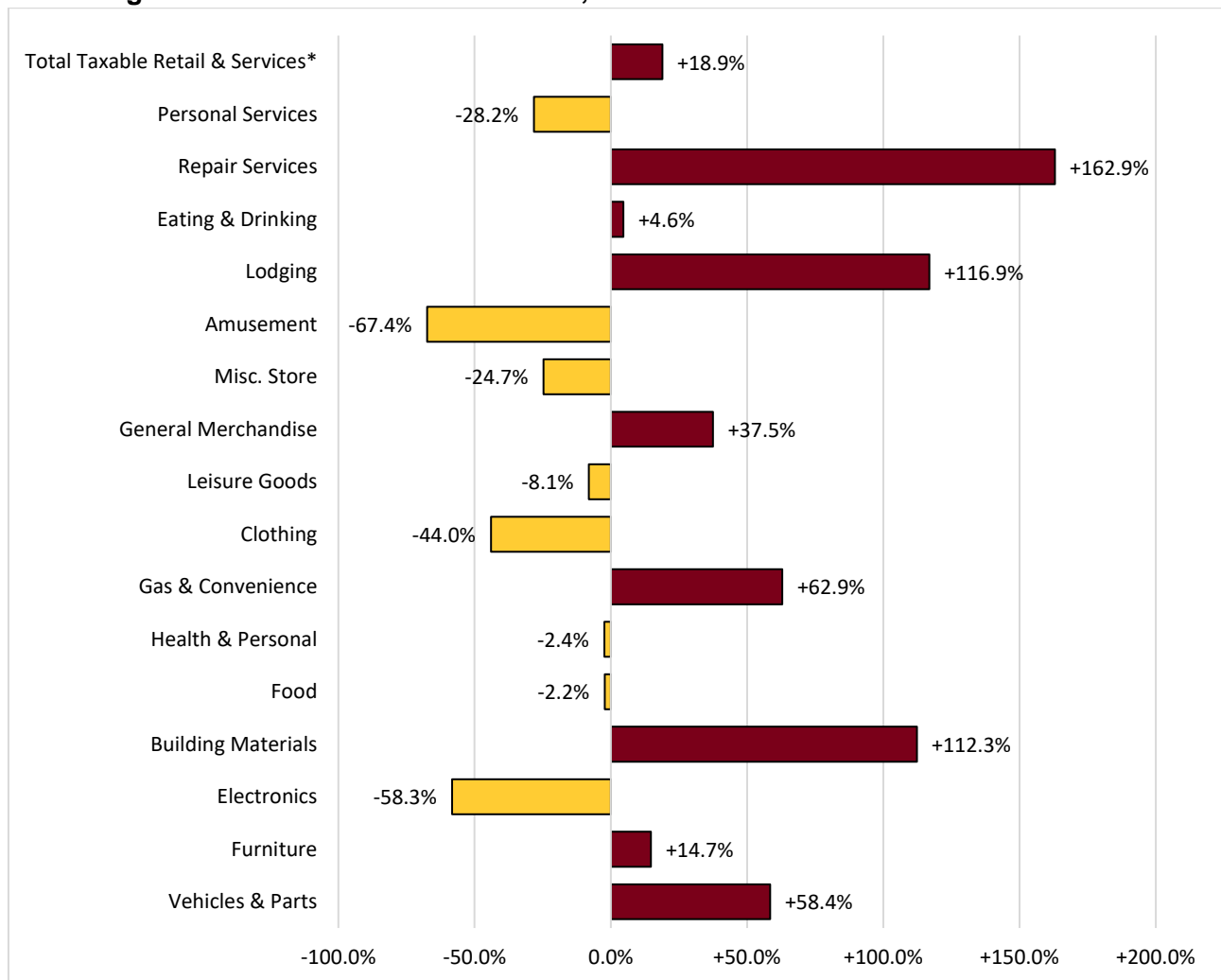
| Merchandise Category | Expected Sales (\$millions) | Actual Sales (\$millions) | Variance Between Actual & Expected | | Trade Area Pop. Gain or Loss | Number of Firms | Percent of Total Sales |
|---|-----------------------------|---------------------------|------------------------------------|------------------|------------------------------|-----------------|------------------------|
| | | | In Dollars (millions) | As % of Expected | | | |
| Vehicles & Parts | \$24.83 | \$39.34 | +\$14.51 | +58.4% | 25,597 | 42 | 7.9% |
| Furniture | \$12.49 | \$14.33 | +\$1.83 | +14.7% | 6,425 | 15 | 2.9% |
| Electronics | \$12.79 | \$5.34 | -\$7.45 | -58.3% | -25,525 | 10 | 1.1% |
| Building Materials | \$53.59 | \$113.76 | +\$60.17 | +112.3% | 49,187 | 21 | 22.8% |
| Food | \$28.41 | \$27.77 | -\$0.64 | -2.2% | -980 | 26 | 5.6% |
| Health & Personal | \$5.07 | \$4.95 | -\$0.12 | -2.4% | -1,041 | 19 | 1.0% |
| Gas & Convenience | \$10.63 | \$17.32 | +\$6.69 | +62.9% | 27,568 | 26 | 3.5% |
| Clothing | \$6.68 | \$3.74 | -\$2.94 | -44.0% | -19,267 | 27 | 0.7% |
| Leisure Goods | \$9.90 | \$9.10 | -\$0.80 | -8.1% | -3,543 | 16 | 1.8% |
| General Merchandise | \$50.17 | \$68.99 | +\$18.82 | +37.5% | 16,435 | 9 | 13.8% |
| Misc. Store | \$13.95 | \$10.50 | -\$3.45 | -24.7% | -10,830 | 62 | 2.1% |
| Amusement | \$13.76 | \$4.48 | -\$9.28 | -67.4% | -29,540 | 22 | 0.9% |
| Lodging | \$11.42 | \$24.77 | +\$13.35 | +116.9% | 51,191 | 30 | 5.0% |
| Eating & Drinking | \$65.76 | \$68.80 | +\$3.04 | +4.6% | 2,026 | 84 | 13.8% |
| Repair Services | \$11.96 | \$31.44 | +\$19.48 | +162.9% | 71,377 | 96 | 6.3% |
| Personal Services | \$6.03 | \$4.32 | -\$1.70 | -28.2% | -12,367 | 87 | 0.9% |
| Total Taxable Retail & Services* | \$420.15 | \$499.42 | +\$79.27 | +18.9% | 8,266 | 965 | 100.0% |

Retail Trade Performance in Percentages: Kandiyohi County

The chart below depicts the percentage amount of Kandiyohi County's actual sales were above or below potential sales in 2021 by merchandise group. Of the 16 merchandise categories with reported data, sales in 8 of the categories were above what would be potential sales, based on the county's population and income characteristics, as well as statewide spending patterns. The strongest merchandise group by this standard is the Repair Services category, which has a 162.9 percent surplus. Overall, Kandiyohi County had a retail sales surplus of 18.9 percent in 2021.

It is important to note that variations in a county's relative retail performance may occur for a variety of reasons, some of which are beyond the control of local policy. Proximity to larger population centers and transportation patterns, as well as the individual retailer's management and marketing, can cause the retail sales of a particular county to deviate substantially from potential sales. It is important that decision-makers consider these influences when constructing policies, plans, or projects.

Percentage Above or Below Potential Sales, 2021

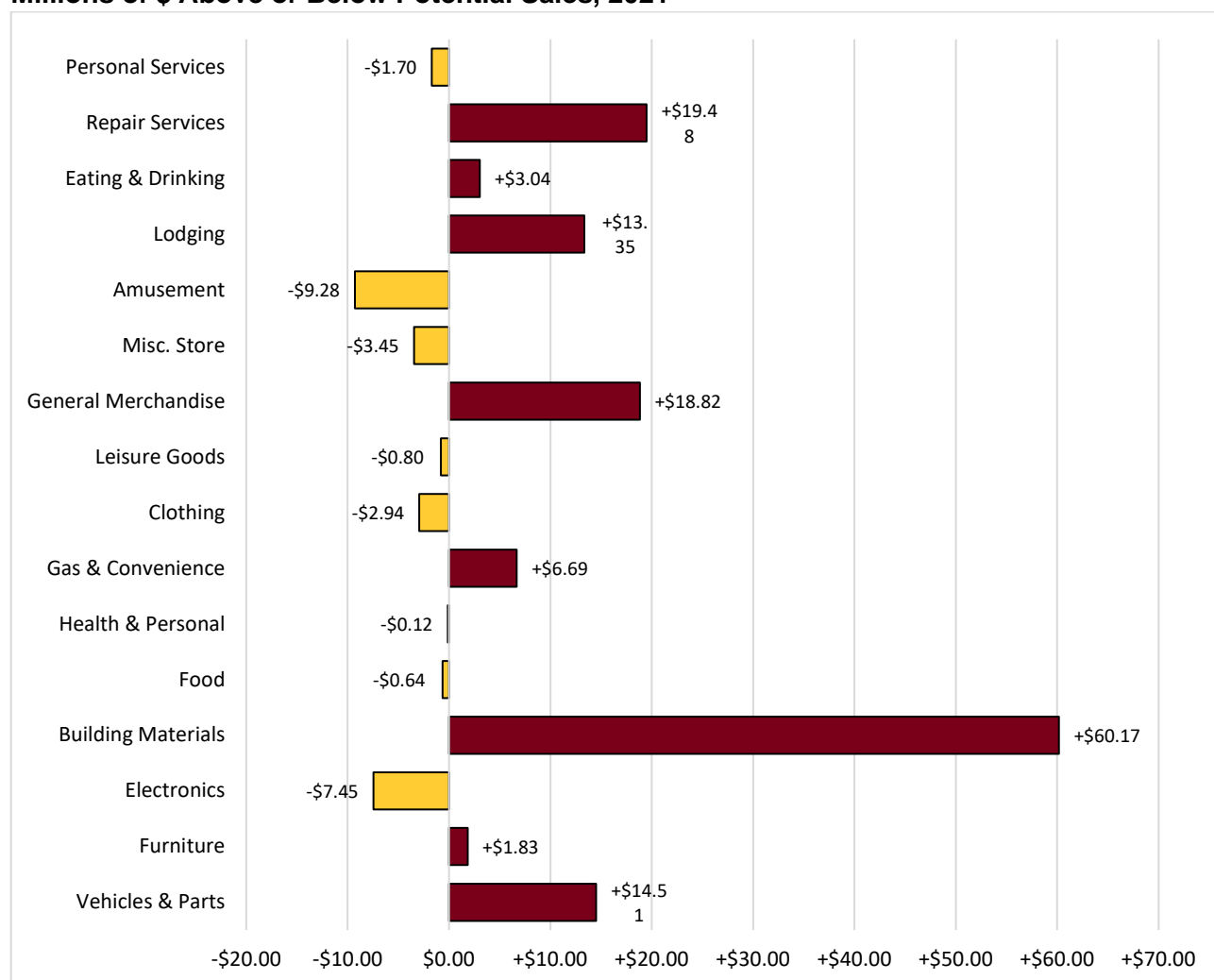


Retail Trade Performance in Dollars: Kandiyohi County

The chart below depicts the dollar amount of Kandiyohi County's actual sales that were above or below potential sales in 2021 by merchandise group. Of the 16 merchandise categories with reported data, sales in 8 of the categories were above calculated potential. The strongest merchandise group by this standard is the Building Materials category, which has a \$60.17 million surplus. Overall, Kandiyohi County had a retail surplus of \$79.3 million in 2021.

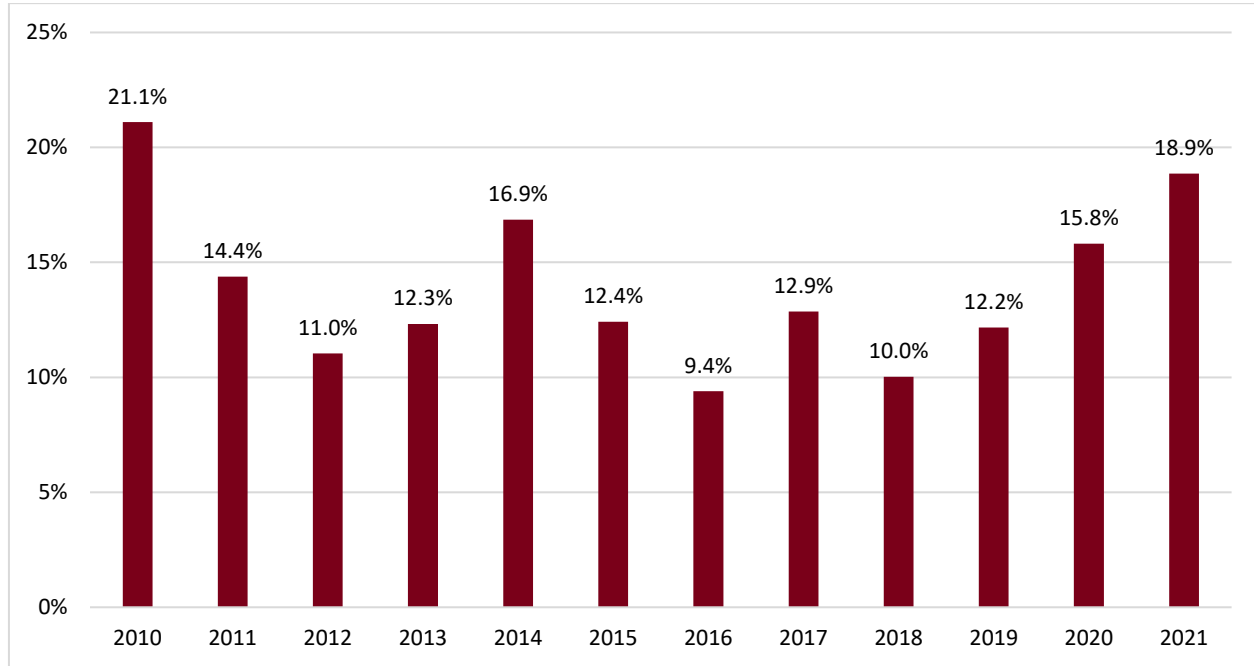
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Millions of \$ Above or Below Potential Sales, 2021



Retail Trade Surplus or Leakage: Kandiyohi County

County Surplus or Leakage as a Percentage of Potential



| Fiscal Year | Population Estimate | Index of Income | Potential Sales (in millions) | Actual Sales (in millions) | Surplus or Leakage (in millions) | Surplus or Leakage as % of Potential | Trade Area Population Gain or Loss |
|-------------|---------------------|-----------------|-------------------------------|----------------------------|----------------------------------|--------------------------------------|------------------------------------|
| 2010 | 42,270 | 0.92 | \$298.8 | \$361.8 | +\$63.0 | 21.1% | 8,919 |
| 2011 | 42,118 | 0.96 | \$322.5 | \$368.8 | +\$46.4 | 14.4% | 6,059 |
| 2012 | 42,315 | 0.97 | \$339.0 | \$376.5 | +\$37.5 | 11.0% | 4,674 |
| 2013 | 42,351 | 0.94 | \$340.5 | \$382.5 | +\$42.0 | 12.3% | 5,219 |
| 2014 | 42,258 | 0.92 | \$341.1 | \$398.6 | +\$57.5 | 16.9% | 7,122 |
| 2015 | 42,510 | 0.96 | \$368.6 | \$414.3 | +\$45.8 | 12.4% | 5,277 |
| 2016 | 42,481 | 0.98 | \$379.2 | \$414.8 | +\$35.6 | 9.4% | 3,994 |
| 2017 | 42,768 | 0.95 | \$374.9 | \$423.1 | +\$48.2 | 12.9% | 5,499 |
| 2018 | 42,924 | 0.95 | \$389.7 | \$428.7 | +\$39.1 | 10.0% | 4,305 |
| 2019 | 43,193 | 0.93 | \$385.0 | \$431.8 | +\$46.9 | 12.2% | 5,257 |
| 2020 | 43,732 | 0.92 | \$373.4 | \$432.5 | +\$59.1 | 15.8% | 6,916 |
| 2021 | 43,809 | 0.88 | \$420.1 | \$499.4 | +\$79.3 | 18.9% | 8,266 |

Minnesota Per Capita Retail Sales and Threshold Levels

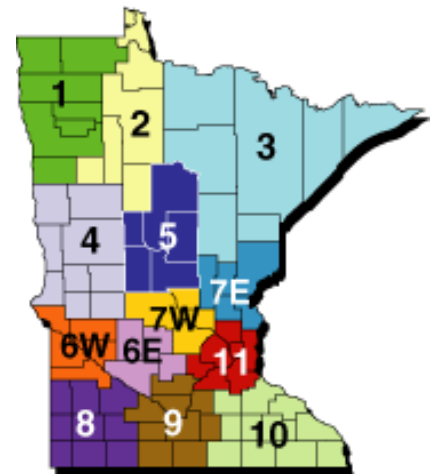
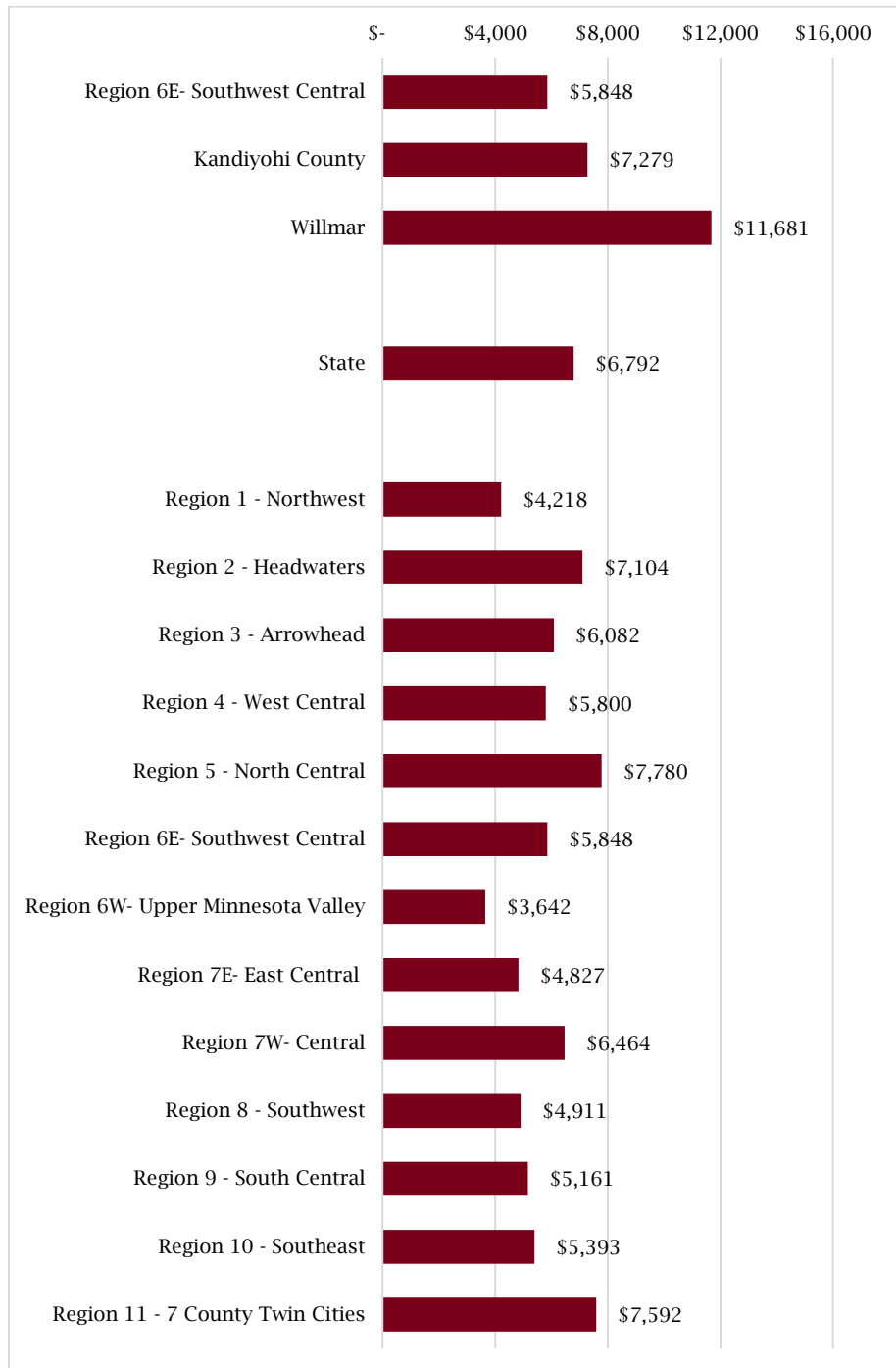
for Selected Goods and Services, 2021

Threshold level refers to the number of people per business, which can be used as a general guide for determining the critical mass necessary to support a business. These are broad averages for the state as a whole and do not reflect differences in income, tourism, agglomeration, establishment, etc. Further, business counts are based on the number of sales tax returns filed and are converted to full-time equivalents. Multiplying people per business by sales per capita yields average sales per firm. In addition to state averages, averages for the non-Metropolitan regions were calculated by excluding the seven-county Minneapolis-St. Paul Metropolitan area.

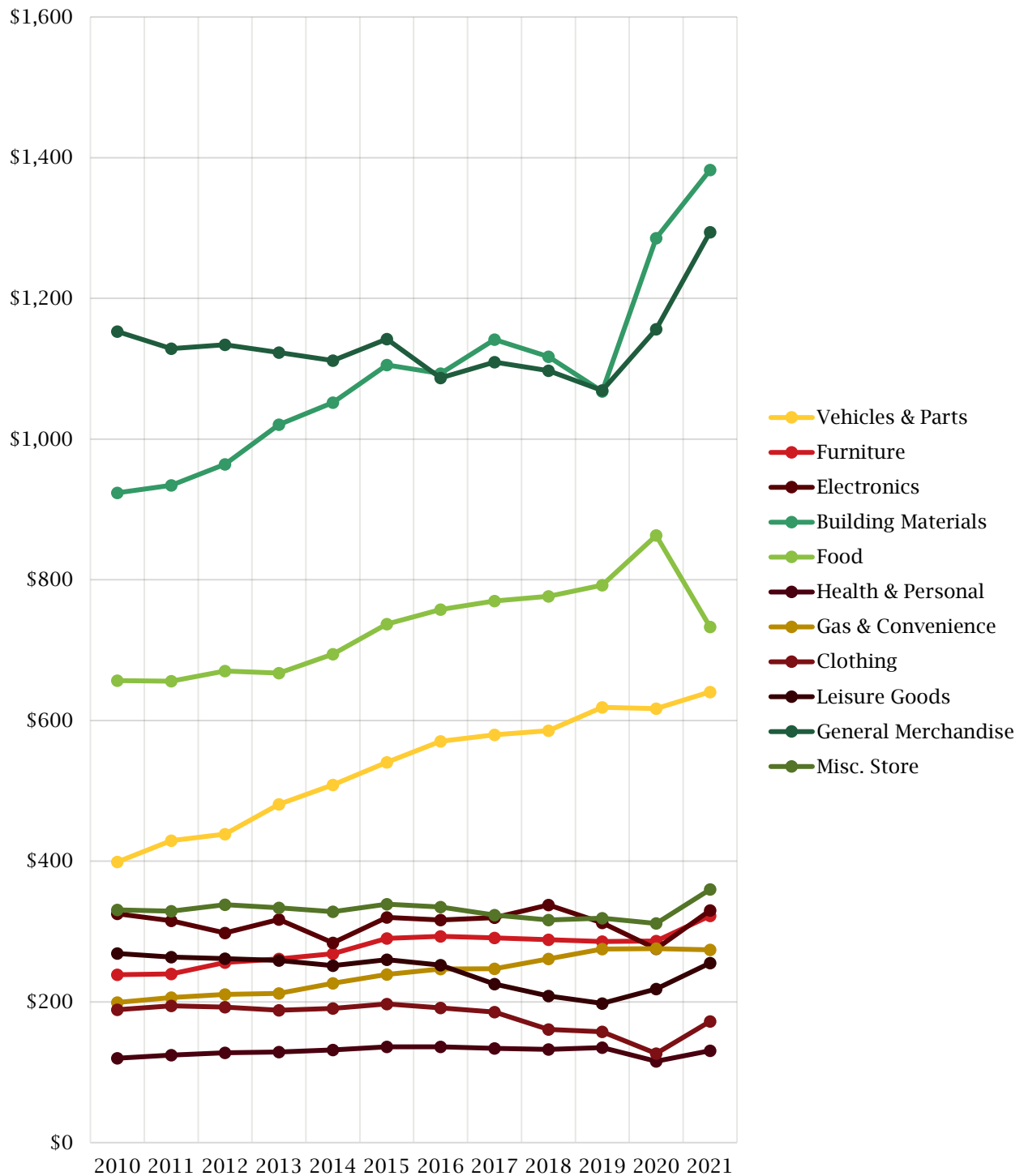
| <i>Business Activity / Store Type</i> | | <i>People Per Business</i> | | <i>Sales Per Capita</i> | | |
|--|--------------------------------------|----------------------------|------------------|-------------------------|------------------|----------------|
| <i>NAICS</i> | | <i>State</i> | <i>Non-Metro</i> | <i>State</i> | <i>Non-Metro</i> | <i>Willmar</i> |
| RETAIL TRADE | | | | | | |
| 441 | Vehicles, Parts | 2,189 | 1,566 | \$640.67 | \$696.32 | \$739.04 |
| 442 | Furniture Stores | 4,134 | 3,920 | \$322.35 | \$211.28 | \$586.35 |
| 443 | Electronics | 4,511 | 5,021 | \$329.98 | \$157.72 | \$245.36 |
| 444 | Building Materials | 3,174 | 2,124 | \$1,382.54 | \$1,580.37 | \$5,110.99 |
| 445 | Food and Beverage Stores | 1,756 | 1,523 | \$732.83 | \$674.94 | \$1,089.90 |
| 446 | Health, Personal Stores | 3,131 | 3,731 | \$130.79 | \$86.75 | \$232.50 |
| 447 | Gas/Convenience Stores | 2,612 | 1,970 | \$274.23 | \$386.84 | \$500.48 |
| 448 | Clothing & Accessory Stores | 1,940 | 2,276 | \$172.41 | \$95.74 | \$168.07 |
| 451 | Leisure Goods | 2,205 | 1,860 | \$255.41 | \$208.50 | \$126.17 |
| 452 | General Merchandise | 5,618 | 4,303 | \$1,294.25 | \$1,255.07 | \$2,337.99 |
| 453 | Miscellaneous Merchandise | 633 | 516 | \$359.83 | \$329.73 | \$464.83 |
| 454 | Non-store Retail | 1,016 | 924 | \$896.42 | \$111.12 | \$79.47 |
| | Retail Total | | | \$6,791.69 | \$5,794.39 | \$11,681.15 |
| INFORMATION | | | | | | |
| 511 | Publishing Industry | 13,110 | 23,447 | \$4.27 | \$2.72 | |
| 512 | Movie & Recording Industry | 12,991 | 32,350 | \$18.46 | \$8.77 | |
| 515 | Broadcasting | 143,551 | 638,922 | \$34.97 | \$0.00 | |
| 516 | Info-Internet Publ/Brcst | | | \$0.00 | \$0.00 | |
| 517 | Telecommunications | 10,633 | 12,715 | \$153.56 | \$119.96 | |
| 518 | Internet Service | 22,696 | 102,227 | \$12.91 | \$0.60 | |
| 519 | Other Information Services | 8,519 | 10,223 | \$38.33 | \$29.20 | |
| FINANCE AND INSURANCE | | | | | | |
| 522 | Credit Intermediation | 11,742 | 9,792 | \$21.90 | \$8.13 | |
| 523 | Securities, Commodities | 20,362 | 79,865 | \$1.77 | \$0.89 | |
| 524 | Insurance Carriers | 14,799 | 31,552 | \$0.51 | \$0.27 | |
| 525 | Funds, Trusts | 358,877 | | \$0.08 | \$0.00 | |
| REAL ESTATE AND RENTAL AND LEASING | | | | | | |
| 531 | Real Estate | 2,192 | 2,690 | \$36.67 | \$35.94 | |
| 532 | Rental, Leasing Services | 3,957 | 3,693 | \$173.74 | \$78.41 | |
| 533 | Lessors Nonfinancial Assets | 638,004 | | \$0.05 | \$0.00 | |
| PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES | | | | | | |
| 541 | Prof, Scientific, Technical Services | 554 | 795 | \$194.44 | \$104.80 | |
| 551 | Mgmt Of Companies | 35,888 | 91,275 | \$13.79 | \$13.10 | |
| ADMINISTRATIVE & SUPPORT; WASTE MGMT & REMEDIATION SVCS | | | | | | |
| 561 | Admin, Support Services | 579 | 568 | \$331.31 | \$203.47 | |
| 562 | Waste Mgmt, Remediation | 16,266 | 13,311 | \$13.24 | \$6.20 | |
| EDUCATIONAL SVCS; HEALTH & SOCIAL ASSISTANCE | | | | | | |
| 611 | Educational Services | 4,357 | 4,777 | \$13.96 | \$11.44 | |
| 621 | Health - Ambulatory Care | 1,029 | 1,239 | \$25.91 | \$26.45 | |
| 622 | Health - Hospitals | 114,841 | 150,335 | \$8.71 | \$4.50 | |
| 623 | Health - Nursing, Residential Care | 11,718 | 11,112 | \$1.94 | \$1.70 | |
| 624 | Health - Social Assistance | 13,020 | 19,216 | \$2.86 | \$3.45 | |
| ARTS, ENTERTAINMENT & RECREATION | | | | | | |
| 711 | Performing Art, Spectator Sports | 1,973 | 2,300 | \$52.85 | \$15.49 | |
| 712 | Museums, Historical Sites | 57,420 | 60,850 | \$4.22 | \$0.93 | |
| 713 | Amusement, Gambling Recr | 2,504 | 2,066 | \$355.11 | \$153.35 | |
| ACCOMMODATION & FOOD SERVICES | | | | | | |
| 721 | Accommodation | 2,505 | 1,391 | \$294.69 | \$373.43 | |
| 722 | Food Services, Drinking Places | 490 | 479 | \$1,696.51 | \$1,352.30 | |
| OTHER SERVICES | | | | | | |
| 811 | Repair, Maintenance | 744 | 525 | \$308.47 | \$343.51 | |
| 812 | Personal, Laundry Service | 652 | 595 | \$155.47 | \$62.66 | |
| 813 | Religious, Civic, Professional Orgs | 3,062 | 2,450 | \$27.80 | \$32.46 | |
| 814 | Private Households | 127,601 | | \$0.22 | \$0.00 | |
| 921 | Exec., Legisla., Other Govt | 8,930 | 5,142 | \$48.74 | \$63.06 | |
| | TOTAL RETAIL AND SERVICES | | | \$10,839.16 | \$8,851.56 | |

Compare the Community to the Region: Willmar & Kandiyohi County

Earlier in this report, we compared communities using a combination of retail sector and service sectors. The information on this page only includes businesses in the retail trade and does not include the service sector. The retail trade sector includes the following: building materials, motor vehicles and parts, clothing, food stores, electronics, convenience stores, leisure goods, health store, furniture, general merchandise, non-store retail, and miscellaneous stores.



Minnesota Taxable Sales Per Capita, 2010 to 2021



Appendix: Data Sources and Definitions

The University of Minnesota Extension has developed this retail trade analysis program to assist in the economic development of Minnesota towns and cities. These reports are available for all Minnesota counties, for most cities above 5,000 populations and for a few cities smaller than 5,000 population. The retail sector of each jurisdiction can be evaluated by comparing its trends to those of other similar jurisdictions. Business people and economic development officials can use measures such as pull factors and leakages to determine the need and feasibility of new retail businesses.

Data Sources

Most of the data in the analysis are based on annual reports of Minnesota retail and use tax, published by the Minnesota Department of Revenue. The Department of Revenue published an annual report of sales and use tax by jurisdiction until 1996, at which time the reports were released biannually due to budget constraints. This analysis uses the available reports from 1990-1996, 1998, 2000, and 2003 through 2012. The reports interpolate data for the years in which data are not available. See <https://www.revenue.state.mn.us/sales-and-use-tax-statistics-and-annual-reports>. The income data in this report are obtained from reports by Bureau of Economic Analysis (BEA). (See http://www.bea.gov/iTable/index_regional.cfm) Population data after 2009 are derived from the state demographic center. (See <http://mn.gov/admin/demography/data-by-topic/population-data/our-estimates/index.jsp>)

Sales and use tax permit holders file returns and remit taxes on a monthly, quarterly or annual basis. Large businesses such as discount department stores whose tax is more than \$500 per month are required to file on a monthly basis, while medium-sized businesses whose sales tax collections are less than \$500 per month, are required to file on a quarterly basis and small businesses with sales tax collections less than \$100 per month would most likely file on an annual basis.

Definition of Terms

Gross Sales

Gross sales include taxable sales and exempt sales for businesses holding sales and use tax permits. This is the most inclusive indicator of business activity for the reporting jurisdictions but it can be misleading when used in comparisons. At times commodity items (like gasoline) that are not taxable can have large price variations, creating huge swings in gross sales.

Taxable Sales

Taxable sales are the amount of sales subject to sales tax. Taxable sales exclude exempt items, items sold for resale, items sold for exempt purposes and items sold to exempt organizations. For more information on what is taxed in Minnesota, see "Minnesota Sales and Use Tax Business Guide" available on the web at <https://www.revenue.state.mn.us/guide/minnesota-sales-and-use-tax-business-guide>

Current and Constant Dollar Sales

Current dollar (or "nominal dollar") sales are sales as reported by the state. No adjustment has been made for price inflation. In general this measure of sales is not satisfactory for comparisons over long periods of time since it does not account for changes in population, inflation, or the state's economy. Constant dollar (or "real dollar") sales reflect changes in price inflation by adjusting current dollar sales with the Consumer Price Index (CPI). Constant dollar sales indicate the real sales level with respect to a base year. This is a more realistic method of evaluating sales over time than current dollar comparisons, but still does not take into consideration changes in population or changes in the state's economy.

Number of Businesses

The number of sales and use tax permit holders who filed one or more tax returns for the year are reported as the number of businesses.

Reporting Period

The reporting periods though 2005 in this report are calendar years. For example, the sales reported for the year 2000 are for the period, January 1, 2000 to December 31, 2000. The Sales and Use Tax Statistics reports for 2006 and 2007 use a slightly different methodology than in previous years. Rather than basing the report on the year in which sales were made (as was true in earlier reports), the 2006 and 2007 reports were based on when returns were processed. Starting in 2008, the reports are again based on the calendar year when the sales occurred.

Per Capita Sales

Per capita (or “per person”) sales are calculated by dividing current dollar sales by the population estimate. In areas where population is subject to substantial change, this is a more satisfactory measure of sales activity than sales alone. However, it still does not reflect changes in the state economy.

Number of Businesses

The number of sales and use tax permit holders who filed one or more tax returns for the year are reported as the number of businesses.

Pull Factor

The pull factor was developed by Dr. Ken Stone, an economist from Iowa State University Extension Service, to provide a precise measure of sales activity in a locality. It is derived by dividing the per capita current dollar sales of a city or county by the per capita sales for the state. For example, if a city's per capita sales are \$20,000 per year and the state per capita sales are \$10,000 per year, the pull factor is 2.0 ($\$20,000 \div \$10,000$). The interpretation is that the city is selling to 200 percent of the city population. Worth noting that local consumption patterns or local average prices may skew pull factors. As example, a city may not have enough people willing to buy \$35 steak dinners to support restaurants that typically carry expensive selections.

Pull factors are good measures of sales activity because they reflect changes in population, inflation, and the state economy. Pull factors are available through the University of Minnesota Extension for total taxable sales for all cities with reported sales (generally, cities with a population of 5,000 or more) since 1990. The pull factors listed in this report are not adjusted for differing income levels in different communities; they are simply the ratio of local per person sales to the state average. Income levels are accounted for in the expected sales and potential sales formulas, described below.

Typical Pull Factor

The typical pull factor is a pull factor that represents the “norm” for cities within a population group. It is an average for cities within a population group excluding some of the outliers in the group.

Personal Income

Personal income is defined as the income received by, or on behalf of, all the residents of the county (state) from all sources. Personal income is the estimated sum of wage and salary earnings, supplements to wages and salaries (e.g., contributions to retirement funds, health plans, life insurance policies), proprietors' income, rental income, personal dividend income, personal interest income, and personal current transfer receipts to persons (e.g. receipts of Social Security, disability, worker's compensation, Medicare/Medicaid, food stamps, etc.) less contributions for government

social insurance (e.g. Social Security, Medicare).

Index of Income

This index provides a measure of income, relative to the state, which is calculated by dividing local per capita income by state per capita income. The base is 1.00. For example, an index of income of 1.20 indicates that per capita income in the area is 20 percent above the state average.

Expected Sales

Expected sales are a retail performance benchmark. It is an estimate of the sales level a city would achieve if it were performing on par with Minnesota cities of a similar size. In addition to population and income variables, expected sales incorporate the typical strength of comparable communities via the typical pull factor. Expected sales are the product of city population, state per capita sales, the index of income and the typical pull factor. For example, if a city has a population of 5,000, the state per capita sales are \$9,000, the typical pull factor is 1.30, and the index of income is 1.03, expected sales are approximately \$60 million per year ($5,000 \times \$9,000 \times 1.30 \times 1.03$). This provides a means of comparing what is expected for a city of a certain size to what is actually happening.

Potential Sales

Potential sales are an estimate of the amount of money that is spent on retail goods and services by residents of a county. It is the product of county population, state per capita sales and the index of income. The potential sales concept for counties is similar to the expected sales calculations for cities. However, potential sales do not utilize a measure of average pulling power (like the typical pull factor that is used in the expected sales equation). Since a county is a relatively large region within which retail business takes place, counties are compared without adjustments for trade area size.

Variance between Actual and Expected Sales (Surplus or Leakage)

The variance between actual and expected sales is how much retail sales differ from the “norm” (i.e., the amount above or below the standard established by the expected sales formula). When actual sales exceed expected sales, we say the city has a “surplus” of retail sales. When actual sales fall short of expected sales, we say the city has a retail sales “leakage”. The set of similarly-sized cities in Minnesota is the peer group to which the comparison is being made. Discrepancies between expected and actual sales occur for a variety of reasons.

Trade Area Population Gain or Loss

The trade area population gain or loss translates the percentage amount of surplus or leakage of retail sales into an estimate of the number of customers gained or lost in the trade area. It is calculated by multiplying the percent surplus or leakage by the population estimate for the city or county. For example, if a city with 10,000 residents had a retail sales surplus of 20%, the trade area population gain would be 2,000. Adding this number to the city's population gives an estimate of the population size of the city's trade area.

Calculating Expected Sales Using Comparisons with Other Rural Cities

Beginning in the middle of 2013, Retail Trade Analysis reports for cities outside of the 7-county Twin Cities area contained new Rural Community Trade Area Analysis pages. The earlier paragraph of how Expected Sales are calculated explained that a typical pull factor of similar-sized cities was used in the formula. These new pages for rural communities only use similar cities that meet the

following three criteria: 1) within approximately 30% of similar population; 2) located outside of the 7-county metro area; 3) have a similar location on the trade-center hierarchy scale. Cities with a similar trade center hierarchy have a history of similar total taxable retail and service sales. This method will keep the pull factors from metro cities like Mendota Heights and Little Canada being used in calculations for rural cities like Fairmont and Grand Rapids. More information on trade center hierarchy can be found in the article Trade-Center Hierarchy in Greater Minnesota authored by Craig and Schwartau at <http://www.cura.umn.edu/publications/catalog/reporter-41-3-4-2>. This article noted there was little relative movement in any one city's hierarchy ranking with just a few exceptions where dramatic economic changes occurred.

Cautions

Gross Sales

Gross sales are a comprehensive measure of business activity, but readers should be aware that the numbers in this report are self-reported by holders of sales and use tax reports. Furthermore, the gross sales are not audited by the State of Minnesota. It is believed that the gross sales figures are generally reliable, but there is the possibility of distortions, especially in smaller cities where misreporting may have occurred.

Misclassification

Holders of sales and use tax permits select the North American Industry Classification System (NAICS) category that best fits their business. Regardless of who makes this classification, errors are occasionally made. Also, sometimes a business will start out as one type of business, but may evolve over time to a considerably different type of business. Misclassifications can distort sales among business categories, especially in smaller cities. For example, a furniture store that is classified as a general merchandise store, will under-report the sales in the furniture store category and over-report the sales in the general merchandise category.

Suppressed Data

The sales data for merchandise categories that have less than four reporting firms are not reported. This is a measure taken by most states to protect the confidentiality of sales tax permit holders. The sales for suppressed retail categories are placed into the miscellaneous category and are included in total sales. The sales for suppressed service categories are placed into the NAICS 999 category and are not included in total sales.

Consolidated Reporting

Vendors doing business at more than one location in Minnesota have the option of filing a separate return for each location or filing one consolidated return for all locations. The consolidated return shows, for each business establishment, the sales made, tax due and location by city and county.

Data for the establishments of consolidated filers are combined with data for single-location filers to produce the figures in this report. Occasionally consolidated reports may not be properly deconstructed and all the sales for a company may be reported for one city. Whenever misreporting is discovered, contacts are made by the Minnesota Revenue Department to clarify the situation.

Changes between 2000 and 2003

For fiscal year 2003, the Minnesota Department of Revenue implemented two major changes to improve their reporting of sales and use tax data. First, they adopted a geo-coding system, which accurately identifies the location of all business reporting sales and use tax to the state rather than



relying on the businesses' postal addresses. One effect of this change is a movement of sales between neighboring cities (and in some cases, counties) in the year 2003. Thus, in several of the suburbs of Minneapolis and St. Paul and in cities such as Hermantown, which is adjacent to Duluth, the data show large increases in retail sales between 2000 and 2003, a substantial portion of which is due to the re-coding of business location and not to actual growth in sales.

The second change implemented by the Department of Revenue in 2003 was a shift from the Standard Industrial Classification system (SIC codes) to the 2002 North American Industry Classification System (NAICS codes). This switch does affect the comparability of the data series prior to 2000 with that of 2003 (and beyond), especially for merchandise categories. Overall retail and services sales are highly comparable over time. In many cases, the merchandise categories for the data prior to 2003 are very closely related to the new categories. For example, approximately 97% of the 2003 statewide sales in the general merchandise category were accounted for by firms also classified as general merchandise under the SIC system. In other cases, the correspondence is less straightforward. For example, only 56% of 2003 statewide sales in the Food and Beverage store category were accounted for by firms classified as Food Stores under the older classification system; 41% of 2003 Food store sales were accounted for by firms previously categorized as Miscellaneous Retail.

The 2002 NAICS system does provide greater detail and introduces some new sectors, such as Retail Electronics. Over time, these changes will improve the information available for retail trade analysis.

**Kandiyohi County and City of Willmar EDC
Willmar Lakes Area Convention & Visitors Bureau
Tourism Partnership Agreement**

The Kandiyohi County and City of Willmar Economic Development Commission (EDC) Joint Powers Board of Commissioners and the Willmar Lakes Area Convention & Visitors Bureau (WLACVB) Board of Directors entered into a three-year Tourism Partnership Agreement on July 28, 2011, which has been allowed to automatically renew through 2023.

The EDC and WLACVB wish to enter into a new agreement as follows:

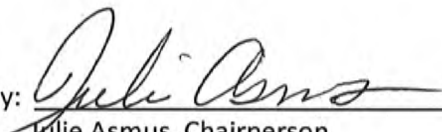
1. The WLACVB Director, along with the CVB's Leisure Travel Committee, shall prepare an annual budget request to be presented to the EDC's Joint Operations Board and Joint Powers Board at their July board meetings each year. The budget request shall outline the line-item tourism-related expenses represented in the budget and how they relate to the WLACVB's overall budget.
2. The WLACVB shall prepare an annual work plan outlining tourism-related goals to be submitted with the budget request.
3. The WLACVB shall provide quarterly financial reports to the EDC.
4. The WLACVB shall provide annually year-end goals and budget report to the EDC Joint Operations Board.
5. The EDC Joint Operations Board shall recommend an appointment to serve on the WLACVB Board of Directors and on the Leisure Travel Committee during the term of this agreement.
6. The EDC shall pay to the WLACVB in 2024 the sum of \$25,000 to be paid in quarterly installments of \$6,250 in January, May, September and December.
7. This agreement may continue year-to-year and may be terminated by either board with advance written notification prior to August 1st of the year preceding the partnership termination.

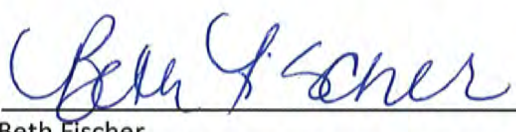
Dated: October 26, 2023

Dated: October 31, 2023

KANDIYOHI COUNTY AND CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION

WILLMAR LAKES AREA CONVENTION & VISITORS BUREAU

By: 
Julie Asmus, Chairperson
Joint Powers Board

By: 
Beth Fischer
Executive Director

Joint Powers Board Meeting
Wilmar, MN
10/26/2023
Child Care Community Coordinator Report

Hello Everyone,

Thank you for allowing me the time to attend this meeting.

I would like to start with a brief introduction of myself. My name is Tanna Stucky. I have currently joined the EDC as part of a partnership between the EDC and United Community Action Partnership (UCAP). I will serve as the Child Care Community Coordinator for Kandiyohi County.

My background in Child Care consists of being an Assistant Teacher and Teacher in various Child Care Centers throughout Minnesota. I have also been an Assistant Director and Director of Child Care Centers in Minnesota. Before becoming the Child Care Community Coordinator I worked as a Behavior Coach and a Lead Teacher in the Toddler room for UCAP HeadStart. I then transitioned into the Wayfinder Start Up and Retention Navigator with UCAP. I have been with UCAP for 5 years.

I am excited to be part of this partnership and look forward to assisting in the Child Care needs in Kandiyohi County.

The following are some of the projects that I have been working on the past 3 weeks.

- Met with a church in New London for potentially opening a Child Care Center
- Met with a business in Atwater to discuss a Child Care space for Family Child Care or Child Care Center
- Started to work with another potential space for a Nature Preschool located in Spicer.
- Worked with SWIF and ISG Architectural Engineers to schedule walk throughs for potential Child Care spaces
- Connecting with providers regarding the Mentor program and the Employee Assistant Program
- Working with First Children's Finance to review and access goals for the RCCIP.

Thank you again for allowing me to be a part of this partnership. I look forward to working with you.

Sincerely,
Tanna Stucky

TO: Joint Powers Board

FROM: Sarah Swedburg
Business Development Manager

DATE: October 26, 2023

RE: Business Development Manager Updates

Providing a staff report is always a great opportunity to reflect on all of the activity that has taken place over the last several months. Since July, the EDC has continued to execute activity for several grant programs. The following report details notable projects and activity that I have participated or assisted with since the end of July.

- Finished Elevate Summer Fellowship
- Rockin' Robbins Booth for Digital Equity Education and Surveys
- EDC Booth at Farm Fest
- Supported planning for Willmar Welcoming Week Event
- Vinna Human Resources Lunch & Learn
- RCCIP Meeting (Third Quarter)
- Began Elevate Alumni Advisory Group
- USDA Rural Development Climate Advisor Meet & Greet
- State Office of Broadband Development Digital Connectivity Plan Meeting at Willmar Library (First in their series of outreach events)
- Rural Business Succession Planning Workshop with UMN Extension
- Industrial Hemp Field Day at Hultgren Farms
- Margaret A. Cargill Foundation Visit
- MAPCED Meeting (Aitkin, MN)
- UMN Extension Creating Entrepreneurial Communities Conference (New London)
- Blandin Foundation Board Retreat
- IEDC Economic Development Basics Course (Maple Grove, MN)
- RedStar Love Your Work Retreat
- Equitable Entrepreneurial Ecosystems Workshop (Red Wing, MN)
- Willmar Area Community Foundation Gala
- Ignite Your Future "VIP Tour" (Hutchinson, MN)
- Rising Tide Network Partner Summit (Jersey City, NJ)

Agriculture

We held a very successful Industrial Hemp Field Day in partnership with AURI, Hultgren Farms, Christianson CPA, Minnesota Department of Agriculture, and Dun Agro at the beginning of September. We continue to develop our relationship with Dun Agro as they explore opportunities to construct an Industrial Hemp processing and manufacturing facility in the Kandiyohi County region.

The EDC Ag Committee is sponsoring a Farm Succession workshop taking place at Max's on the Grill in Olivia during the evening of December 5th, in partnership with Thrivent Redwood Financial Advisors. Dinner is included and RSVP is required. During dinner, a breakout session on ambiguous loss will also take place.

The 2024 Partners in Ag Innovation event, in partnership with MinnWest Technology Campus, will take place on Tuesday, June 18th.

Partners will soon begin planning for Farmtastic – an agriculture-themed night at the Stingers during their 2024 season. This event will take place in partnership with area agriculture organizations and commodity groups in addition to the Chamber's Agribusiness Committee.

Broadband

The Fall 2023 Border-to-Border Broadband Development Grant with the State's Office of Broadband Development opened October 10th. This next round of applications is due December 7th. We are working with Federated Telephone Cooperative and Vibrant Broadband to submit two or three applications. The project areas will include the townships of Lake Andrew, Colfax, and the remaining premises in St. Johns (Federated) as well as Genessee, Kandiyohi, Fahlun, and Lake Lillian Townships (Vibrant).

The West project (Dovre, Mamre, St. Johns, and Arctander Townships) progress is ahead of schedule. The projects in Harrison, Lake Elizabeth, and East Lake Lillian Townships, along with Burbank, Roseville, and Irving Townships will begin next year.

Child Care

We're grateful for the onboarding of Tanna Stuckey as our new Child Care Community Coordinator, in partnership with the United Community Action Partnership! Tanna is instrumental in the capacity of staff to continue to perform on the goals of our Child Care Economic Development Grant activity.

We have supported 33 family child care providers and 4 child care centers with forgivable loans. Of those family providers, 4 are working to become newly licensed providers.

In addition to these forgivable loans, the grant money is supporting new technology (laptops and iPads) for providers, as they gear up for online licensing, transportation costs, creating a mentorship program, and providing EAP services to all child care providers and center staff in Kandiyohi County.

Staff is actively working with 3-4 more local organizations who would like to build out child care space in their existing buildings.

Elevate

We are half-way through our Fall 2023 Elevate class! This semester, we have 15 dedicated students on track to graduate. Stephanie Lopez and Evelyn Soriano, two Elevate alumni, are leading the instruction of class and I'm meeting with them regularly to coach and provide them support for the students. Graduation for this class will take place on Friday, December 15th from 6-8pm at the Student Center at Ridgewater College. RSVP's will be required, so please reach out to myself or the main EDC office if you would like to attend!

Our ideal budget for 2024 and 2025 programming is approximately \$350,000 for Elevate. This would include two English and one non-English Community Business Academy class each year, plus the growth of education, mentorship, and support for our growing Alumni (soon to be over 70 folks!). We are waiting to hear about a Small Business Partnership grant application submitted to the State of Minnesota for the majority of this funding. We've also been working with the Southwest Initiative Foundation to build relationships with key philanthropic groups in the State to fully fund this work. SWIF is generously paying for the full cost of our Fall 2023 class. The growth of our framework for our alumni is top-of-mind, as I'm learning from other programs across the nation at this year's Rising Tide Network Partner Summit in Jersey City!

We are actively working with three alumni on establishments of their new businesses. If you haven't had the opportunity, be sure to follow "To the Moon and Back" on Facebook, a local Asian food truck based out of Atwater - and our newest Elevate alumni business start!



Joint Powers Board Meeting
Willmar, MN
10/26/2023
Marketing and Communications Update

Re-Branding

- Draft 2 of the site map has been created and is scheduled to be reviewed with RVTs
- The MPR Committee had two special meetings to create personas for each of our target audiences. This included the identification of a new audience. They are: 1. Site Selectors 2.) Developers 3.) Locally Elected Officials 4.) Current Business Owners 5.) Future Business Owners 6.) Citizens 7.) Community Partners, in no particular order
- Greenwater Garage in New London has created draft logos. They include about a dozen different designs and styles.
- There are three proposed new names:
 - Prosper Kandiyohi County
 - Prosper Economic Development
 - Kandiyohi County Economic Development
- The following steps are starting a conversation around the new proposed names and incorporating logo discussion after an MPR Committee logo recommendation is made.

Workforce Support

- The One-Stop-Shop Business Resource Fair closed on October 13th. There were 66 people registered, including HR from local businesses. The most visited resource booths included Earned Sick and Safe Leave and the Workplace Veterans Poster. Julia Contreas of JR Business Solutions partnered with us on the event and presented through the Minnesota Small Business Association earlier this month.
- The Minnesota Manufacturing Month Virtual Job Fair took place. Ten manufacturers and 7 out of over 6,000 invites were sent to job seekers.
- The In-Person Job Fair took place at Ridgewater. Many businesses were there, including the Minnesota Department of Human Resources, first recruited through our previous virtual events. It was great to see them in person, and Shay Marlow, a Diversity Recruiter, is even speaking on a local DEI panel.
- Classroom visits for 3rd and 5th grade continue to be coordinated. 8 Kandiyohi County professionals volunteered. The next steps include meeting with the BEN Coordinator and determining how this and the current program can be integrated for longevity.
- The EDC had a booth and hosted the kid's activities at the Latino Resource Fair in October

Child Care Grant

- Tanna being on board is a great help! We met with a Spicer/New London location and one in Atwater to help them complete their applications. Both should have applications in by November! This would add a new in-home provider and preschool center location.
- Coordination with SWIF, who will fund the project, and ISG Construction will conduct an in-depth walk-through of a church location.

Marketing/Public Relations/Communications

- An Events & Festivals Planning course through the U of M was started; the assignment for the class will include preparing for the Farmtastic Event at the Stingers game this summer.
- The fall newsletter "Pathways to Prosperity" went out in October. It highlighted stories of immigrant entrepreneurs in Kandiyohi County. It had a 52% open rate out of 2,326 contacts it was sent to.
- The Winter Newsletter will include highlighting the year of child care work in review and moving forward, including introducing Tanna to our team
- Executive Pulse is being integrated into daily work and reporting
- The EDC partnered with the City of Willmar, CLUES, and MMDC to achieve funding through SWIF, with Willmar Main Street being the financial holder of the grant, to create a video about "What Latino in Kandiyohi County Means." Ten17 Media did the video, but after the end of Hispanic Heritage Month (just barely!), it will be released next year.
- The EDC Ag & Renewable Energy Committee will be partnering again with the CVB for a booth at FarmFest next year.

Outreach Opportunities

- I have attended the Latino Service Network Providers meetings and continue to build those partnerships.
- October was Minnesota Manufacturing Month, National Disability Employment Awareness Month, which includes part of Hispanic Heritage Month, and Filipino American Heritage Month...to name a few! This offered us lots of social media material.
- Beth Fischer and I met and updated each other on projects after the Tourism Committee meeting was canceled or missed twice.
- I participated in the International Festival meeting hosted by the City of Willmar. The event will take place during Willmar Fest.

I will return virtually the first week on November 6th. My what's up? Our boys turned 2 and 4! We had a perfect fall day for Wally's party at home with a bounce house and Norm had a party at Alley on Ash!