

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)
JOINT POWERS BOARD OF COMMISSIONERS MEETING

MINUTES

October 28, 2021

EDC Board Room, Willmar and Via Zoom Video Conference

Present: Julie Asmus, Corky Berg, Marv Calvin (via Zoom), Vicki Davis, Steve Gardner and Roland (Rollie) Nissen

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

Media: Shelby Lindrud, West Central Tribune

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

Chairperson Rollie Nissen called the meeting to order at approximately 11:36 a.m. and declared a quorum was present.

AGENDA—

IT WAS MOVED BY Julie Asmus, SECONDED BY Corky Berg, to approve the Agenda as emailed. All voted unanimously by roll call.

MINUTES—

IT WAS MOVED BY Steve Gardner, SECONDED BY Vicky Davis, to approve the Minutes of the July 22, 2021 meeting and the October 14, 2021 special meeting as emailed. All present voted unanimously in favor by roll call.

FINANCIAL REPORTS—Aaron Backman presented the financial reports as of July 31, August 31 and September 30, 2021. Backman noted five COBAL loans have been paid in full and just under \$60,000 remains outstanding as shown on the Balance Sheet. All COBAL loans are paying except for one and a collection letter has been sent. Currently there are nine loans outstanding under the Revolving Loan Fund for a total of \$182,592 and Historic 313 on Fourth Street paid off its loan. Total assets are approximately \$1,028,000. The Profit and Loss for September shows a portion of the county tax levy was received during the fourth quarter; the EDC is approximately \$36,000 ahead of budget. State funds totaling approximately \$848,000 were distributed through the EDC's Minnesota Pandemic Relief grant program to 60 businesses and 6 nonprofits. Southwest Initiative Foundation has reimbursed the EDC just under \$30,000 for the Elevate program. TIGER II funds have been expended for the Willmar Industrial Park. Backman noted the employee expenses relative to the Business Development Manager are not accurate and will be corrected. Total income as of September 30 is approximately \$1,210,191 total income and total expenses are approximately \$1,276,430. There have been no loan writeoffs to date. Backman reported 130 people attended the Partners in Ag Innovation Conference and the West Central Job Fair was just held. Kelsey Olson will begin working November 16.

IT WAS MOVED BY Vicky Davis, SECONDED BY Steve Gardner, to file the financial reports as of July 31, August 31 and September 30, 2021, subject to audit. All present voted unanimously in favor by roll call.

[Marv Calvin joined the meeting via Zoom.]

UNFINISHED BUSINESS—There was no unfinished business.

NEW BUSINESS

2020 Audit Presentation. Scott Van Buren of Westberg Eischens presented the 2020 financial audit (see attached) noting it was a clean opinion. The Management’s Discussion on page 4 gives a snapshot of the EDC’s activity; page 6 is a comparison between 2019 and 2020; pages 7 and 8 show the drastic change in intergovernmental revenue of \$3.511 million due to the federal funds. Total revenues in 2020 were \$4.108 million and total expenses were \$4.038 million. Page 10 shows assets exceed liabilities by \$1.1 million putting the EDC in a very strong financial position at year end; page 12 shows Governmental Activities, which brings everything to a full accrual, including pension, sick pay and vacation pay; page 16 shows restrictions on the fund balance; page 17 is the bank’s pledge collateral, which is well within FDIC insurance; page 30 is the schedule of federal awards, which were under the CARES Act. Backman expressed his appreciation for the trust other governmental entities placed in the EDC to disburse their CARES Act funds. Van Buren noted the EDC’s grant process was very well documented. His firm tested 78 files or approximately \$1 million and the EDC had stricter criteria than what the CARES Act had. Page 32 notes a material finding that the auditor drafted the financial statements and proposed some journal entries. Because of limited staff, the EDC cannot spread around its duties, which is why the board is involved in control and reviews the financials at each meeting. Backman noted the Joint Operations Board received a draft of the audit and recommended this board accept it.

IT WAS MOVED BY Julie Asmus, SECONDED BY Corky Berg, to accept the 2020 financial audit as presented. All present voted unanimously in favor by roll call.

RATIFY ACTIONS OF JOINT OPERATIONS BOARD—

Revolving Loan Funds Loans. Sarah Swedburg provided information on Groom Zone, which moved from downtown New London to a location on northeast Highway 23 and on Cheers of Raymond, which was purchased by Trevor Johnson.

IT WAS MOVED BY Steve Gardner, SECONDED BY Julie Asmus, to ratify a seven-year \$38,000.00 loan to Groom Zone LLC under the Kandiyohi County and City of Willmar Economic Development Commission’s (EDC’s) Revolving Loan Fund Program at 5% interest with a shared second security position with Mid-Minnesota Development Commission in machinery, equipment and real estate contingent upon the applicant’s primary residence being located onsite and the business receiving an SBA 7(a) loan or conventional financing from United Prairie Bank and to ratify a seven-year \$25,000.00 loan to High Intensity Fitness of MN LLC, doing business as Cheers of Raymond, under the EDC’s Revolving Loan Fund Program at 5% interest with a security position in the real estate, machinery, equipment

and inventory, secondary to United Prairie Bank with payments to begin November 15, 2021. All present voted unanimously in favor by roll call.

Renewal of Certificate of Deposit at United Prairie Bank. Chair Nissen noted the Joint Operations Board approved renewing the Certificate of Deposit.

IT WAS MOVED BY Julie Asmus, SECONDED BY Corky Berg, to ratify the renewal of Certificate of Deposit XXXXX4720 for one year with United Prairie Bank at an APY of .36%. All present voted unanimously in favor by roll call.

Amend 2021 Budget. Backman proposed changing the agreement with Connie Schmoll (see attached) and to increase the 2021 budget.

IT WAS MOVED BY Steve Gardner, SECONDED BY Roland Nissen, to ratify changes to the Broadband Agreement with Connie Schmoll and to increase the 2021 budget for broadband planning to \$16,640. All present voted unanimously in favor by roll call.

2022 Employee Health Insurance. Backman informed the board that the EDC's small group renewal rate with Blue Cross Blue Shield of Minnesota will have a small increase of 1.6% for 2022.

IT WAS MOVED BY Corky Berg, SECONDED BY Julie Asmus, to approve the small group renewal with Blue Cross Blue Shield of Minnesota with a proposed increase of 1.6% for 2022 with the employees contributing 11% of the premium. All presented voted unanimously in favor by roll call.

Subaward Agreement for ARPA Funds with Kandiyohi County. Backman reported the EDC has been working with Kandiyohi County relative to the American Rescue Plan Act (ARPA) funds. Kandiyohi County is willing to reimburse the EDC for a portion of its contractual expenses related to the broadband projects as shown in the Subaward Agreement (see attached) prepared by Kennedy & Graven.

IT WAS MOVED BY Steve Gardner, SECONDED BY Julie Asmus, to approve entering into and signing the Subaward Agreement for American Rescue Plan Act funds with Kandiyohi County. All present voted unanimously in favor by roll call.

REPORTS

Economic Development Activity. Backman reviewed the 2020 census figures for Kandiyohi County and its individual communities (see attached) noting 36 of 87 Minnesota counties lost population. Willmar's economy is picking up and its annexations were more related to businesses versus residences. Willmar has issued 625 building permits to date compared to 493 two years ago and construction value topped at \$59 million versus \$51 million in 2019. One-third was housing of over \$17 million. Backman provided permit values for several individual businesses. A letter of intent was signed in May for the logistics company and a development agreement was just signed for this \$26 million project in the 4th Addition of the Industrial Park. There remains a strong demand for housing in the county and region. Inventory is down to 37 days and vacancy rates are under 5%. The EDC has made a concerted effort to work with developers. Unique Opportunities has accelerated Phases 3 and 4 of its construction and obtained building permits and the developer will be looking at another site next week. Block 25 Lofts being developed by Lumber One has been delayed due to an environmental study. Preserve on 24th in the Waterview Business Park started

construction of Phase 1 in the beginning of October for 72 units. Suite Liv'n west of Ridgewater College will be constructed in 2022. Bethesda North Pointe in New London opened in the beginning of October. Steve Gardner noted, however, that none of the construction is single-family homes. Backman is willing to work with the Housing and Redevelopment Agency through its Small Cities Development Grants for rehabilitation. He suggested the Willmar City Council discuss encouraging construction of single-family homes. As to rehabilitating housing in the Renaissance Zone, Backman suggested holding a summit.

[Steve Gardner was excused from the meeting.]

Elevate Business Academy. Swedburg reported she completed instructor training and nine students representing seven business started the second co-hort in September. Students are 57% women-owned businesses and 57% diverse owned. Swedburg has applied for several grants to continue the program. There is a need to get the curriculum translated into Somali. Backman noted Swedburg is nearing her six-month anniversary with the EDC and has been very interactive with local businesses.

COMMITTEE HIGHLIGHTS

Agriculture and Renewable Energy Development. Swedburg reported the Partners In Ag Innovation Conference had approximately 130 attend in-person and virtually. There was good feedback in particular about the stories told during the conference. Planning has started for next year's conference. The committee is working on building a partnership with Ridgewater College and its Ag Department and hopes to have a staff person join the committee. Ridgewater College is holding a career ag fair on December 3. Kandi Land Farm is up and running and appears to be successful with young children and parents.

Industrial Hemp Exploratory Subcommittee. Swedburg reported subcommittee members will attend a December hemp conference in Fargo. The hemp industry has many hurdles, including financing, and the subcommittee is looking at supporting value-added manufacturing or processing. A member recently attended a conference in Florida. They continue to network. At the last CVN meeting, Swedburg learned of a bioplastics company. A Ridgewater College student is very interested in industrial hemp and may help them connect to producers.

Broadband and Advanced Technology. Chair Nissen reported his district has underserved areas. The committee is working with Federated Telephone Cooperative to complete a project. The federal grant that was applied for would cover all seven townships in Chair Nissen's district. There are roadblocks in using state funds with federal funds. Senator Smith was in Willmar and heard concerns from county, township and provider representatives and committee members. The blogger for Blandin and media also voiced concerns to Senator Smith. Everyone encouraged Senator Smith to stay on top of the FCC and the Rural Digital Opportunity Fund (RDOF) program. The county cannot dedicate any funds to RDOF areas being done by LTD Broadband. Chair Nissen reported Vibrant Broadband is working on a project on the eastern border of the county. Swedburg reported Arvig is working with the City of Prinsburg to do a project for 210 homes in the city and Charter is completing projects in New London Township and possibly Dovre Township.

Business Retention and Expansion/Recruitment. Backman indicated finding employees is an issue for local employers and gave an update on the CDL program, which may be adding a second class. The EDC recently participated in the West Central Minnesota Job Fair where there were 53 vendors and over 300 attendees. Asmus congratulated the *West Central Tribune* on the *Impact* magazine and the articles recently done on the local shrimp businesses. Swedburg noted Senator Smith toured DI Labs when she was here. Swedburg noted a tour will be held at Nova-Tech today at 3 p.m. for Minnesota Manufacturing Month.

Marketing and Public Relations. Backman informed the committee of the hiring of Kelsey Olson. The committee met in person and discussed projects on which they would like to work. Discussion was held on a co-working space.

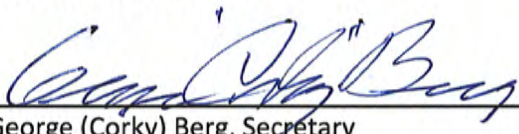
Leisure Travel. Backman reported the committee met last at Island View Resort, which was purchased by a young couple last fall.

ADJOURNMENT—There being no further business,

IT WAS MOVED AND SECONDED to adjourn the meeting.

The meeting was adjourned at approximately 1:30 p.m.

NEXT MEETING—The annual meeting is **11:30 a.m., Thursday, January 27, 2022.**


George (Corky) Berg, Secretary

APPROVED: 1/27/2022:


Roland A. Nissen, Chairperson

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

ANNUAL FINANCIAL REPORT

**YEAR ENDED
December 31, 2020**

Westberg Eischens, PLLP
Certified Public Accountants
Willmar, Minnesota 56201

TABLE OF CONTENTS

	<u>PAGE</u>
BOARD OF DIRECTORS	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet and Governmental Activities – Statement of Net Position with Adjustments to Convert Modified to Full Accrual	10
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	11
Budgetary Comparison Schedule – General Fund	12
NOTES TO FINANCIAL STATEMENTS	13-25
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of Net Pension Liability	26
Schedule of Employer Contributions	27
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	28-29
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	30
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	31
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 <i>GOVERNMENT AUDITING STANDARDS</i>	32-33
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	34-35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	36-39

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

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



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of the Kandiyohi County and City of Willmar Economic Development Commission (EDC), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the EDC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Kandiyohi County and City of Willmar Economic Development Commission, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of net pension liability, and schedule of employer contributions on pages 4-9 and 26-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The Board of Directors section identified in the Table of Contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2021, on our consideration of the Kandiyohi County and City of Willmar Economic Development Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the EDC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the EDC's internal control over financial reporting and compliance.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

October 11, 2021

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

Introduction

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

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

Among the significant activities of the EDC are:

- Providing gap loans (or subordinate loans) to small businesses in Kandiyohi County.
- Providing technical and financial assistance to businesses of all sizes.
- Assisting entrepreneurs to start a business, including diverse business owners.
- Marketing efforts to promote the Kandiyohi County area to existing and prospective businesses locally, regionally, and nationally, including through social media marketing.
- Undertaking Business, Retention, and Expansion (BRE) surveys to better understand local business needs.
- Continuing to support feasibility studies for new agricultural ventures both in terms of money and staff time.
- Continuing to plan for and hold ag-related events (e.g. in 2020 the Partners in Ag Innovation Conference in Willmar).
- Continuing to be a funder and collaborator of the co-working space WORKUP located at the MinnWest Technology Campus.
- Supporting partners in major infrastructure efforts (e.g. Willmar Railroad Wye; Hwy 23 Coalition; Industrial Park expansions in the county, etc.).
- Continuing to provide leadership on the development of affordable housing projects.
- Continuing to provide support for a variety of housing, including senior housing, multi-family rental units, single-family homes, market-rate housing, etc.
- Supporting private and public partners to address the need for adequate childcare throughout Kandiyohi County.
- Supporting workforce events and programs in Kandiyohi County (e.g. West Central MN Area Job Fair and the CLUES workforce programs, including Diverse CNA and Diverse Welding classes).
- Supporting private and public partners to extend high-speed broadband to all parts of Kandiyohi County.

The EDC presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2020, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, issued June 1999.

The EDC's December 31, 2020 annual financial report consists of two parts – the management's discussion and analysis and the basic financial statements (which include notes to those financial statements).

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

Financial Highlights

Under GASB 34, the Kandiyohi County and City of Willmar Economic Development Commission's single government activities financial statements for December 31, 2020, report on all of the EDC's assets, liabilities, revenues, expenses, and net position under the programs it administers. In summary, the EDC's financial highlights include the following:

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

Financial Statements

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

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

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

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

This entity-wide presentation represents several programs and activities. The EDC has five standing committees that are funded on a yearly basis – Ag/Renewal Energy Development, Broadband & Advanced Technology, Business Retention & Expansion, Finance, and Marketing & Public Relations. These are active committees with over 50 volunteers that serve on them. The EDC budgeted \$186,300 for EDC Committee expenses and actual expenditures totaled \$119,600 in 2020. This included \$34,000 that is provided to the Willmar Lakes Area Convention & Visitors Bureau (CVB) for marketing purposes. These programs are financed by county funds, state and federal grants, and other (charges and fees).

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

Net Position

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

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

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

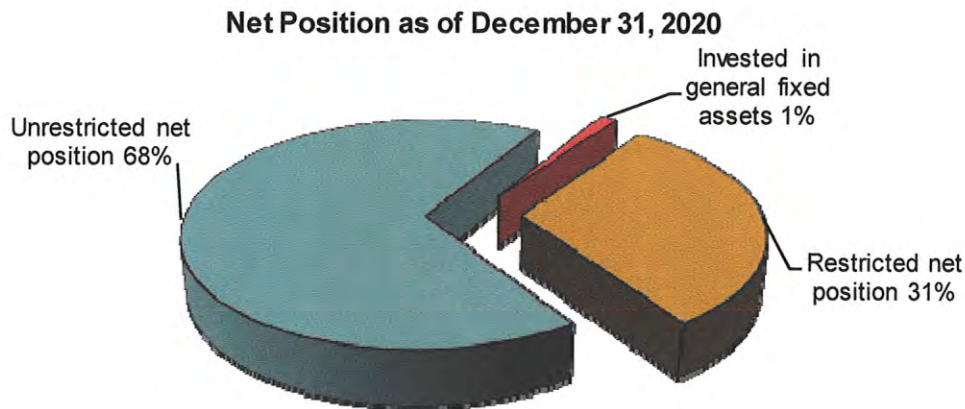
Investments in capital assets comprise about 1% of the EDC's total assets and about 1% of the total net position.

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

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

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

Net Position (continued)



Statement of Activities

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

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

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

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

Statement of Activities (continued)

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

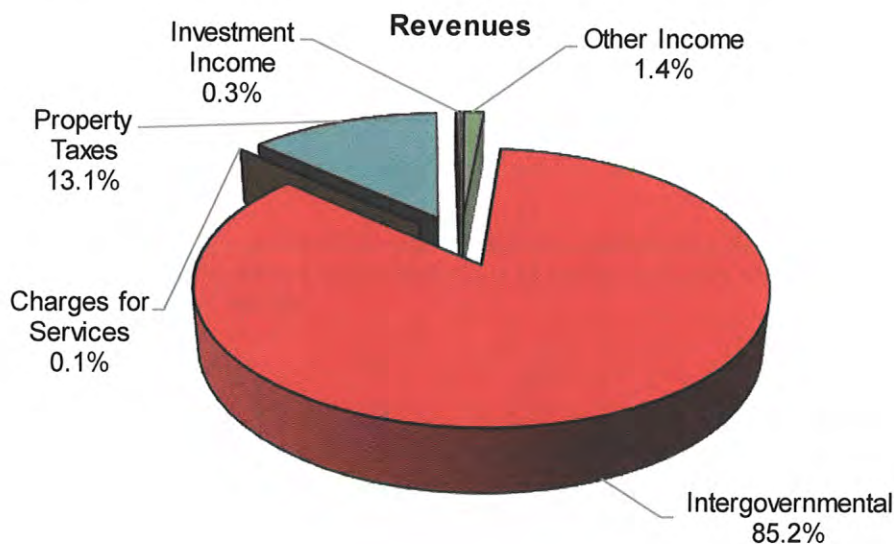
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Excess of revenues over expenses	71,456	54,349	17,107
Change in net position	71,456	54,349	17,107
Net position - beginning	863,280	808,931	54,349
Net position - ending	<u>\$ 934,736</u>	<u>\$ 863,280</u>	<u>\$ 71,456</u>

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

Financial Analysis of the Organization as a Whole

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

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



**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
GOVERNMENTAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
December 31, 2020**

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

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

**KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
For the Year Ended December 31, 2020**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
REVENUES			
Property taxes	\$ 536,544	\$ -	\$ 536,544
Charges for services	1,375	-	1,375
Intergovernmental	3,498,547	421	3,498,968
Interest income	15,039	-	15,039
Miscellaneous	57,053	-	57,053
TOTAL REVENUES	<u>4,108,558</u>	<u>421</u>	<u>4,108,979</u>
EXPENDITURES			
Salaries and wages	198,481	8,695	207,176
Payroll taxes and benefits	58,729	(11,572)	47,157
Administrative	134,085	-	134,085
Committees and special projects	127,725	-	127,725
Events and programs	3,824	-	3,824
Grants and donations	3,513,938	-	3,513,938
Capital outlay	3,084	(3,084)	-
Depreciation	-	3,618	3,618
TOTAL EXPENDITURES	<u>4,039,866</u>	<u>(2,343)</u>	<u>4,037,523</u>
EXCESS OF REVENUES OVER EXPENDITURES	68,692	2,764	71,456
NET CHANGE IN FUND BALANCE/NET POSITION	68,692	2,764	71,456
FUND BALANCE/NET POSITION, Beginning of year	<u>1,025,972</u>	<u>(162,692)</u>	<u>863,280</u>
FUND BALANCE/NET POSITION, End of year	<u>\$ 1,094,664</u>	<u>\$ (159,928)</u>	<u>\$ 934,736</u>

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

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

Capital outlay	\$ 3,084
Depreciation expense	(3,618)

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

11,993

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

(8,695)

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

\$ 2,764

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

a. Governmental Funds

The EDC reports the following major governmental fund:

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

1. Cash and Cash Equivalents

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

2. Receivables

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

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

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

3. Prepaid Items

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

4. Capital Assets

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Compensated Absences

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

6. Deferred Outflows/Inflows of Resources

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

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

7. Pensions

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

8. Net Position/Fund Balances

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Net Position/Fund Balances (continued)

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

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

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

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

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

Unassigned – is the residual classification for the General Fund.

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

At December 31, 2020, a summary of the governmental fund balance classifications are as follows:

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Use of Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

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

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the EDC's deposits may not be returned to it. The EDC will obtain collateral or bonds for all uninsured amounts on deposit and the additional insurance will be documented to show compliance with state law and a perfected security interest under federal law. At December 31, 2020, the EDC deposits were covered by federal depository insurance limit of \$250,000 or collateral held in safekeeping.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

A. Assets (continued)

1. Deposits and Investments (continued)

b. Investments (continued)

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

(4) bankers' acceptances of United States banks;

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

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

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

As of and during the year ended December 31, 2020, the EDC did not own any investments that required disclosure regarding interest rate risk, credit risk, or concentration of credit risk.

2. Receivables

Receivables as of December 31, 2020, for the EDC's governmental activities are as follows:

	Total Receivables	Not Expected to be Collected Within One Year
Governmental Activities		
Delinquent taxes	\$ 14,059	\$ 7,597
Loans receivable, net of allowance	355,350	214,773
Total Governmental Activities	\$ 369,409	\$ 222,370

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

A. Assets (continued)

2. Receivables (continued)

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

Loans receivable consist of the following:

HRA of Willmar – This loan receivable is a term note dated June 1, 1998. The note has no stated interest rate, is unsecured, non-guaranteed, and is due in full on June 1, 2028. At December 31, 2020, the balance of this loan was \$25,750.

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

KCEO Student Loans – Consists of loans to student entrepreneurs in amounts of \$250 to \$600 for small business development payable within one year, non-interest bearing. At December 31, 2020, the balance of these loans totaled \$1,198. A provision has been made for estimated uncollectible amounts in the amount of \$1,198.

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

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

3. Capital Assets

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

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

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (continued)

A. Assets (continued)

3. Capital Assets (continued)

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

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

B. Liabilities

1. Long-Term Debt

Changes in long-term liabilities

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

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

NOTE 4 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan

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

B. Benefits Provided

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

1. General Employees Plan Benefits

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

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

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

B. Benefits Provided (continued)

1. General Employees Plan Benefits (continued)

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

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the EDC was required to contribute 7.50% for Coordinated Plan members. The EDC's contributions to the General Employees Fund for the year ended December 31, 2020, were \$14,886. The EDC's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2020, the EDC reported a liability of \$161,877 for its proportionate share of the General Employees Fund's net pension liability. The EDC's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the EDC's totaled \$4,842. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The EDC's proportion of the net pension liability was based on the EDC's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the EDC's proportion share was .0027% at the end of the measurement period and .0026% for the beginning of the period.

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

For the year ended December 31, 2020, the EDC recognized pension expense of \$14,375 for its proportionate share of the General Employees Plan's pension expense. In addition, the EDC recognized an additional \$421 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

D. Pension Costs (continued)

1. General Employees Fund Pension Costs (continued)

At December 31, 2020, the EDC reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,421	\$ 613
Changes in actuarial assumptions	-	5,875
Net collective difference between projected and actual investment earnings	3,543	-
Changes in proportion	5,743	-
Contributions paid to PERA subsequent to the measurement date	7,650	-
Total	\$ 18,357	\$ 6,488

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

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

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

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

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

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions (continued)

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

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

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

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on this assumption, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the EDC's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the EDC's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

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

H. Pension Plan Fiduciary Net Position

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

NOTE 5 RISK MANAGEMENT

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

NOTE 6 COMMITMENTS AND CONTINGENCIES

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

The Kandiyohi County and City of Willmar Economic Development Commission has entered into various loan agreements in relation to its Partial Loan Guarantee Program. Under the terms of the agreement, the EDC has guaranteed 80% of these \$25,000 (\$50,000 for 2013 and following years) loans to private businesses. During the year ended December 31, 2020, all outstanding loan balances were paid off. Total outstanding loan balances under this loan program are \$0 at December 31, 2020.

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

NOTE 7 OPERATING LEASE

Effective December 2014, the EDC entered into a lease agreement for the office facility. Terms of the lease include monthly rent of \$1,800 for five years. Effective December 2019, the lease was renewed with monthly rent of \$2,000 for five years. Included in this lease are real estate taxes, building insurance, maintenance, and utilities. The lease is renewable for an additional 36 months. The future minimum lease payments are as follows:

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

NOTE 8 COVID-19

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

NOTE 8 SUBSEQUENT EVENTS

The EDC has evaluated subsequent events through October 11, 2021, the date the financial statements were available to be issued.

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

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with EDC	Employer'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
	(a)	(b)	(a+b)	(c)	((a+b)/c)		
June 30, 2020	0.0027%	\$ 161,877	\$ 4,842	\$ 166,719	\$ 198,480	84.0%	79.1%
June 30, 2019	0.0026%	\$ 143,748	\$ 4,500	\$ 148,248	\$ 183,027	81.0%	80.2%
June 30, 2018	0.0026%	\$ 144,237	\$ 4,581	\$ 148,818	\$ 171,400	86.8%	79.5%

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

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

See notes to required supplementary information.

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

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

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

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

See notes to required supplementary information.

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

NOTE 1 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.

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

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

General Employees Fund (continued)

2018 Changes (continued)

Changes in Plan Provisions (continued)

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

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

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

See notes to schedule of expenditures of federal awards.

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

NOTE 1 REPORTING ENTITY

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

NOTE 2 BASIS OF PRESENTATION

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

NOTE 3 PASS-THROUGH ENTITY IDENTIFYING NUMBERS

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

NOTE 4 INDIRECT COST RATE

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

NOTE 5 CONTINGENCIES

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



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 each major fund of the Kandiyohi County and City of Willmar Economic Development Commission as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Kandiyohi County and City of Willmar Economic Development Commission's basic financial statements, and have issued our report thereon dated October 11, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-003 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 to be significant deficiencies.

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

Compliance and Other Matters

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

2630 1st Street S
PO Box 362
Willmar, MN 56201

phone 320.235.3727
e-mail info@wecpas.net
fax 320.235.1641

515 Highway 7 E
PO Box 407
Montevideo, MN 56265

32

phone 320.269.7380
e-mail info@wecpas.net
fax 320.269.8176

752 Prentice Street
PO Box 179
Granite Falls, MN 56241

phone 320.564.4811
e-mail info@wecpas.net
fax 320.564.4812

Minnesota Legal Compliance

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

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

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

Purpose of this Report

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

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

October 11, 2021



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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

October 11, 2021

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

Identification of Major Programs

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

Dollar threshold used to distinguish between type A and type B programs:	\$	<u> 750,000 </u>
--	----	----------------------------

Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
--	-------------------	-----------------

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

FINANCIAL STATEMENT FINDINGS

Finding 2020-001

Criteria:

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

Condition:

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

Questioned Costs:

None.

Context:

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

Effect:

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

Cause:

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

Repeat Finding:

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

Recommendation:

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

Current Status:

Unresolved.

CORRECTIVE ACTION PLAN (CAP)

Finding 2020-001

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

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

Officer Responsible for Ensuring CAP:

Not Applicable

Planned Completion Date:

Not Applicable

Plan to Monitor Completion of CAP:

Not Applicable

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

FINANCIAL STATEMENT FINDINGS (continued)

Finding 2020-002

Criteria:

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

Condition:

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

Questioned Costs:

None.

Context:

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

Effect:

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

Cause:

Limited number of staff in the office.

Repeat Finding:

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

Recommendation:

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

Current Status:

Unresolved.

CORRECTIVE ACTION PLAN (CAP)

Finding 2020-002

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

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

Officer Responsible for Ensuring CAP:

Not Applicable

Planned Completion Date:

Not Applicable

Plan to Monitor Completion of CAP:

Not Applicable

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

FINANCIAL STATEMENT FINDINGS (continued)

Finding 2020-003

Criteria:

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

Condition:

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

Questioned Costs:

None.

Context:

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

Effect:

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

Cause:

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

Repeat Finding:

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

Recommendation:

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

Current Status:

Unresolved.

CORRECTIVE ACTION PLAN (CAP)

Finding 2020-003

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

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

Officer Responsible for Ensuring CAP:

Not Applicable

Planned Completion Date:

Not Applicable

Plan to Monitor Completion of CAP:

Not Applicable

Kandiyohi County and City of Willmar Economic Development Commission
AGREEMENT FOR SERVICES for
Broadband Planning in Kandiyohi County
July 1, 2021 – January 31, 2022



THIS AGREEMENT is made and entered into this ___ day of April, 2021 between Kandiyohi County and City of Willmar Economic Development Commission (hereafter EDC), P.O. Box 1783, Willmar, MN 56201 and Constance J. Schmoll (hereafter Contractor), 7001 12th Street NW, Willmar, MN 56201. EDC and Contractor agree to the following terms and conditions:

- A. Duties, Terms and Services: Subject to the terms and conditions of this Agreement, EDC hereby engages Contractor to perform the services set forth herein for the EDC's Broadband and Advanced Technology Committee and for broadband planning and outreach activities in Kandiyohi County (hereafter "the Project"), and Contractor hereby accepts such engagement.

Under this Agreement, Contractor will provide the services as described in the Scope of Work (attached as Exhibit A) which outlines key work pertaining to the Project including, but not limited to, project planning, coordination of efforts, grant writing, marketing, outreach to businesses and nonprofits, technical assistance and reporting documentation with the Project. The Project scope of work may be modified through electronic and/or written agreement by EDC and Contractor.

This Agreement shall commence on July 1, 2021 and be completed on or before January 31, 2022. Services will be provided as agreed upon and generally described in the Scope of Work (attached as Exhibit A).

- B. Written Reports and Materials: The contract will require that all written documentation compiled within the scope of work be provided on or before March 1, 2022. All documents prepared by Contractor in connection with services rendered under this Agreement, are and shall remain the exclusive property of EDC.
- C. Compensation: EDC agrees to pay Contractor a fee of up to \$9,880 (approximately 152 hours) at a rate of \$65/hour for each hour completed toward the Project. In addition, Contractor may request reimbursement of up to \$800 for travel/mileage and \$100 for supplies and materials. The total compensation shall not exceed \$10,780 unless all parties agree to additional compensation, in writing, within the timeframe of this contract. The EDC or Contractor may request additional compensation should the scope of work be expanded and associated costs be agreed upon by all parties.
- D. Billing/Payments: Contractor shall submit an invoice one time per month beginning on July 31, 2021. A final invoice covering remaining costs shall be submitted by Contractor within 15 days of the contract end date of January 31, 2022. Compensation shall be payable by EDC within 15 days of receipt of the Contractor's invoices. Contractor shall bill and EDC shall reimburse the Contractor for all reasonable expenses that are incurred in connection with the performance of duties. All expenses must be submitted with receipts for specific itemized expenses.
- E. Use of Personal Automobile: Contractor will be reimbursed for mileage at the rate established by the Internal Revenue Service (currently .56 cents/mile) when using her own automobile for travel on authorized activity related to contract completion. Transportation expenses between Contractor's home and the EDC shall be considered personal commuting expenses and not reimbursable under this agreement. Transportation expense for planning meetings from Contractor's home or from the EDC office

shall be reimbursed. The maximum reimbursement for mileage must fall within the compensation limit noted in paragraph C. Contractor shall carry, at her own expense, the minimum insurance coverage for property damage and public liability relating to the operation of her personal vehicle.

- F. Liability and Indemnification: Contractor represents that the services to be provided under this Agreement are reasonable in scope and she has the experience and ability to provide the services. Contractor agrees to indemnify and hold harmless EDC against all claims, suits or judgments made or recovered by any and all persons which are the result of acts or omissions of Contractor, Contractor's agents or employees during performance of services under this Agreement.
- G. Confidentiality: Contractor acknowledges that during the engagement she may have access to and become acquainted with information about the Project and EDC. Contractor agrees she will not disclose any information, directly or indirectly, about the Project or EDC, either during the term of this Agreement or at any other time thereafter, except as required in the course of this engagement or with the approval of EDC. All files, records, documents, letters, notes and similar items relating to the Project, whether prepared by Contractor or otherwise coming into her possession, shall remain the exclusive property of EDC.
- H. Termination: Either party may terminate this Agreement by giving 30 days prior written notice to the other. In the event of any such termination, Contractor shall be compensated for professional fees and expenses incurred with respect to services performed through the effective date of termination, but will not be entitled to any additional compensation. In addition, if Contractor is convicted of any crime or offense, fails or refuses to comply with written policies or reasonable directive of EDC, is guilty of serious misconduct in connection with performance, or materially breaches provisions of this Agreement, EDC at any time may terminate the engagement of Contractor immediately and without prior written notice to Contractor.
- I. Independent Contractor: This Agreement shall not render Contractor an employee of EDC. Contractor is and will remain an independent contractor in her relationship to EDC. EDC shall not be responsible for withholding taxes with respect to Contractor's compensation hereunder. Contractor shall have no claim against EDC hereunder or otherwise for vacation pay, sick leave, retirement benefits, social security, worker's compensation, health or disability benefits, unemployment insurance benefits or employee benefits of any kind.
- J. EDC Non-Discrimination Policy: Contractor shall adhere to EDC's non-discrimination policy. The policy states EDC does not discriminate on the basis of race, color, sex, national origin, sexual orientation, disability, age or religion in its employment, or the provision of programs and services.

KANDIYOHI COUNTY & CITY OF WILLMAR
ECONOMIC DEVELOPMENT COMMISSION

By: _____

Aaron Backman
Executive Director

Date: April _____, 2021

Constance J. Schmoll
Independent Contractor

Date: April _____, 2021

Exhibit A
Scope of Work for Contracted
Broadband Planning and Deployment Assistance in Kandiyohi County

The following outline proposes tasks and the proposed estimated timeframe for the contract. This outline should be considered a starting point for discussion about the preferred process and timeframe to best meet the desired outcome of this project. The full scope of work will be determined by several factors, including:

1. Final decisions made by potential broadband service providers and Kandiyohi County/Township leaders who choose to move forward with broadband planning and potential project implementation.
2. Funds allocated for broadband deployment during the 2021 State of Minnesota Legislative Session and other possible funding sources.
3. Direction provided by EDC for advancing the current deployment project and beginning or continuing future projects.

JULY 2021—40 hours Actual: 116 hours – concentration on Federated 4-township project, Prinsburg project and possible NTIA grant application planning. Meetings with providers, seven townships and one city.

- Work with Federated Telephone Cooperative to finalize broadband deployment plans, including determining number of residential sites, businesses, anchor institutions and other potential consumers of broadband in the proposed project area and market the project to constituents to determine commitment. The current proposed project area includes the townships of Arctander, Dovre, Mamre and St. Johns.
- Coordinate work of the EDC Broadband and Advanced Technology Committee to inform and educate township constituents and promote signing of a petition asking the township supervisors to invest in the project.
- Coordinate planning sessions with representatives of Arctander, Dovre, Mamre and St. Johns Townships in their current pursuit of a broadband deployment project with Federated Telephone Cooperative. Decisions will need to be made about bonding, assessing constituents, creating a subordinated service district, service agreements with the broadband providers and paying for or bonding to secure funds to pay for the project.
- Continue to seek funding from various sources, in addition to county funds and township resources and bonding, to bring the cost down for individuals and businesses in the project area. Additional funds may come from Kandiyohi County from American Rescue Plan Act funds and businesses in the project area or that serve the project area.
- Continue discussions with Hanson Communications and Vibrant Broadband on additional broadband projects in the rural areas of Kandiyohi County. Broadband deployment is an eligible expense for use of American Rescue Plan Act funds and the timeframe for that use aligns with broadband deployment projects that can be planned during the year 2021 and finished by December 2023.
- Provide continued communication with providers, EDC, the EDC Broadband and Advanced Technology Committee, townships and Kandiyohi County.

AUGUST 2021—36 hours I now predict a 70-hour month. In addition to state grant, the NTIA grant needs to be completed and extra letters of support secured. Townships need to conduct constituent meetings. Education will be necessary again as some of the people will not have attended the other meetings.

- Continue tasks as in July according to need.
- Secure letters of support for the broadband projects to be submitted with the Minnesota Border-to-Border Broadband Development Grant application. Letters are needed from constituents, as well as those serving the people in the project area (schools, healthcare, parks, farm services, technology and more).
- Prepare a competitive grant application, in conjunction with Federated Telephone Cooperative, to be submitted by late August or early September 2021 to meet the state grant application deadline.
- Continue securing letters of support, refinement of the competitive grant application, and coordination of planning with providers, EDC, the EDC Broadband and Advanced Technology Committee, townships, Kandiyohi County and other funders.
- Provide assistance to Federated Telephone Cooperative to submit the state grant application and remain in contact with the Minnesota Office of Broadband Development to provide additional information and materials as requested.

September 2021 – January 2022—40 hours Additional projects have been suggested since the start of contract. Vibrant broadband is one that will need to wait for planning until after September. I predict that project will take quite a bit of planning with the provider and townships. The hours for September – January will likely be 70 hours.

- Remain in contact with the Minnesota Office of Broadband Development to provide additional information and materials as requested.
- Further pursue future projects with township leaders and constituents and with potential broadband providers and start the planning process with interested parties.
- Provide continued communication with providers, EDC, the EDC Broadband and Advanced Technology Committee, townships and Kandiyohi County.
- Spend time coaching and training the EDC's Business Development Manager in the area of broadband development.

New Prediction: 256 hours @ \$65 = \$16,640 rather than the original \$10,000

SUBAWARD AGREEMENT

THIS SUBAWARD AGREEMENT (this "Agreement") is entered into as of [DATE], by and between the COUNTY OF KANDIYOHI, a public body corporate and politic under the laws of the State of Minnesota ("County"), and the KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION, a joint powers entity ("Subrecipient").

RECITALS

WHEREAS, the U.S. Department of the Treasury ("Treasury") has allocated to the County of Kandiyohi [INSERT AMOUNT TRANSFERRED TO THE County] of federal stimulus funding from the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Funds under CFDA No. 21.027 ("ARPA Funds") under Section 603(b) of the Social Security Act, as amended by Section 9901 of the American Rescue Plan Act ("ARPA"), half of which was outlaid to the County on [INSERT DATE FUNDS WERE RECEIVED BY THE County] with the remainder of funds to be disbursed by Treasury to the County within one year, for the limited purposes identified in the Interagency Agreement between the Treasury and the County designated under FAIN #[INSERT FAIN NUMBER] ("IGA"), identified as Exhibit A, the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule ("Interim Final Rule"), identified as Exhibit B, and the Compliance and Reporting Guidance for State and Local Fiscal Recovery Funds ("Compliance & Reporting Guidelines"), identified as Exhibit C. Exhibits A, B & C are attached hereto and incorporated herein by this reference;

WHEREAS, ARPA authorizes the ARPA Funds to be used for the following purposes as outlined in the Interim Final Rule as follows:

- (1) To respond to the COVID-19 public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- (2) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers;
- (3) For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and
- (4) To make necessary investments in water, sewer, or broadband infrastructure

WHEREAS, ARPA Funds under this non-R&D federal program must be obligated no earlier than March 3, 2021 and no later than December 31, 2024, with final disbursement of all ARPA Funds no later than December 31, 2026;

WHEREAS, ARPA Funds may be utilized to cover the cost of consultants to support effective management and oversight of ARPA Funds, including consultation for ensuring compliance with legal, regulatory, and other requirements;

WHEREAS, the County and Subrecipient work together managing broadband infrastructure costs, including coordinating the work and funding for numerous projects that will be funded using the County's ARPA Funds;

WHEREAS, the Subrecipient has provided evidence that the proposed uses of ARPA Funds are eligible administrative costs that have been incurred by a consultant to support effective administration of ARPA Funds;

WHEREAS, the County and Subrecipient anticipate costs will continue to be incurred in the administration of the County's ARPA funds;

WHEREAS, the County and Subrecipient desire to enter into this Agreement so that the County may provide ARPA Funds to the Subrecipient to reimburse the Subrecipient for eligible expenses incurred for the administration of ARPA Funds as allowed under the IGA and Interim Final Rule.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, County and Subrecipient hereby agree as follows:

1. Effective Date And Term. This Agreement shall govern the performance of the parties for the period commencing at the date of execution of this agreement (the "Effective Date") through January 31, 2022 unless earlier terminated by either party in accordance with the terms of this Agreement.
2. ARPA Funds. The County agrees to provide the Subrecipient a total sum not to exceed eleven thousand and 00/100ths dollars (\$11,000) to be used to reimburse the Subrecipient for eligible expenses incurred to hire a consultant to effectively administer the County's ARPA Funds, as further defined in Section 3.
3. Subrecipient's Use of ARPA Funds. The Subrecipient may use funds to cover the cost of hiring a consultant for effective administration of ARPA Funds as defined in Exhibit D, which is herein incorporated by this reference.
4. Payment of Funds. ARPA Funds will be paid in accordance with the Disbursement of Funds process established in Exhibit D. The County agrees to disburse ARPA Funds to Subrecipient in an amount not to exceed \$11,000 (the "Total Agreement Funds").
5. Suspension and Debarment. Subrecipient represents that neither it nor any of its principals has been debarred, suspended or determined ineligible to participate in federal assistance awards or contracts. Subrecipient further agrees that it will notify the County

immediately if it or any of its principals is placed on the list of parties excluded from federal procurement or nonprocurement programs available at www.sam.gov;

6. Subaward Data. The Subaward Data attached hereto as Exhibit E, and incorporated herein by reference, contains information required to be provided to Subrecipient under 2 C.F.R. § 200.332.
7. Financial and Other Reports. Subrecipient shall submit to the County such reports and back-up data as may be required by the County, Treasury, or any other entity with authority over the reporting of ARPA Funds, including without limitation such reports in accordance with the following schedule:

<u>REPORT</u>	<u>DEADLINE</u>
[INSERT APPLICABLE REPORT] Final Report	[INSERT APPLICABLE DEADLINE] 60 days after disbursement of funds by County to Subrecipient.

8. Improper Payments. Any item of expenditure by Subrecipient under the terms of this Agreement which is found by auditors, investigators, and other authorized representatives of the County, the U.S. Government Accountability Office, or the Comptroller General of the United States to be improper, unallowable, in violation of federal or state law or the terms of this Agreement, or involving any fraudulent, deceptive, or misleading representations or activities of Subrecipient, shall become Subrecipient's liability, to be paid by Subrecipient from funds other than those provided by the County under this Agreement or any other agreements between the County and Subrecipient.
9. Termination. The County may terminate this Agreement, for convenience or otherwise and for no consideration or damages, upon prior notice to the Subrecipient.
10. Independent Contractor. Each party under the Agreement shall be for all purposes an Independent Contractor. Nothing contained herein will be deemed to create an association, a partnership, a joint venture, or a relationship of principal and agent, or employer and employee between the parties. The Subrecipient shall not be, or be deemed to be, or act or purport to act, as an employee, agent, or representative of the County for any purpose.
11. Indemnification. The Subrecipient agrees to defend, indemnify and hold the County, its officers, officials, employees, agents and volunteers harmless from and against any and all claims, injuries, damages, losses or expenses including without limitation personal injury, bodily injury, sickness, disease, or death, or damage to or destruction of property, which are alleged or proven to be caused in whole or in part by an act or omission of the Subrecipient, its officers, directors, employees, and/or agents relating to the Subrecipient's performance or failure to perform under this Agreement. The section shall survive the expiration or termination of this Agreement.

12. Compliance with Laws, Guidelines. The Subrecipient shall comply with all federal, state, and local laws and all requirements (including debarment and other required certifications and audits) of the IGA, Interim Final Rule, and Compliance & Reporting Guidelines to the extent applicable, when disbursing ARPA Funds to recipients or when seeking payment from the County.
13. Data Privacy And Security. Subrecipient, its officers, agents, owners, partners, employees, volunteers and subcontractors shall, to the extent applicable, abide by the provisions of the Minnesota Government Data Practices Act, Minnesota Statutes, Chapter 13 (“MGDPA”) and all other applicable state and federal laws, rules, regulations and orders relating to data or the privacy, confidentiality or security of data.
14. Maintenance and Audit of Records. Subject to the requirements of Minnesota Statutes § 16C.05, subd. 5, the County, the State Auditor, or any of their authorized representatives which may include other independent financial analysts at any time during normal business hours, and as often as they may reasonably deem necessary, shall have access to and the right to request submission of documentation, examine, audit, excerpt, and transcribe any books, documents, papers, records, or other data, which are pertinent to the accounting practices and procedures of Subrecipient and involve transactions relating to this Agreement. Subrecipient shall maintain these materials and allow access during the period of this Agreement and for six (6) years after its expiration, cancellation or termination.
15. Notices. Any notice desired or required to be given hereunder shall be in writing, and shall be deemed received three (3) days after deposit with the U.S. Postal Service, postage fully prepaid, certified mail, return receipt requested, and addressed to the party to which it is intended at its last known address, or to such other person or address as either party shall designate to the other from time to time in writing forwarded in like manner:

Subrecipient

Aaron Backman
Executive Director
Kandiyohi County and City of Willmar
Economic Development Commission
222 20th Street SE
P.O. Box 1783
Willmar, MN 56201
aaron@kandiyohi.com

County

Kandiyohi County
Attn: Larry Kleindl, County Administrator
2200 23rd Street NE, Suite 2020
Willmar, MN 56201
larry.kleindl@kcmn.us

16. Improper Influence. Each party warrants that it did not and will not employ, retain, or contract with any person or entity on a contingent compensation basis for the purpose of seeking, obtaining, maintaining, or extending this Agreement. Each party agrees, warrants, and represents that no gratuity whatsoever has been or will be offered or conferred with a view towards obtaining, maintaining, or extending this Agreement.
17. Conflict of Interest. The elected and appointed officials and employees of the parties shall not have any personal interest, direct or indirect, which gives rise to a conflict of interest.
18. Time. Time is of the essence in this Agreement.
19. Survival. The provisions of this Agreement that by their sense and purpose should survive expiration or termination of the Agreement shall so survive. Those provisions include without limitation Indemnification and Maintenance and Audit of Records.
20. Amendment. No amendment or modification to the Agreement will be effective without the prior written consent of the authorized representatives of the parties.
21. Non-Discrimination. Subrecipient shall not exclude any person from full employment rights nor prohibit participation in or the benefits of any program, service or activity on the grounds of any protected status or class including but not limited to race, color, creed, religion, age, sex, disability, marital status, sexual orientation, public assistance status, or national origin. No person who is protected by applicable federal or state laws against discrimination shall be subjected to discrimination.
22. Governing Law. The Agreement will be governed in all respects by the laws of the state of Minnesota, both as to interpretation and performance, without regard to conflicts of law or choice of law provisions. Any action arising out of or in connection with the Agreement may be instituted and maintained only in a court of competent jurisdiction in Hennepin County.
23. Non-Waiver. No failure on the part of the County to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by the County of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedy available to the County at law or in equity.
24. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors.
25. Assignment. The Subrecipient shall not assign or transfer any of its interests in or obligations under this Agreement without the prior written consent of the County.
26. Entire Agreement. This Agreement constitutes the entire agreement between the County and the Subrecipient for the use of funds received under this Agreement and it supersedes

all prior or contemporaneous communications and proposals, whether electronic, oral, or written between the parties with respect to this Agreement.

27. No Third Party Beneficiaries. Nothing herein shall or be deemed to create or confer any right, action, or benefit in, to, or on the part of any person or entity that is not a party to this Agreement. This provision shall not limit any obligation which either party has to Treasury in connection with the use of ARPA Funds, including the obligations to provide access to records and cooperate with audits as provided in this Agreement.
28. Severability. In the event that one or more provisions of this Agreement shall be determined to be invalid by any court of competent jurisdiction or agency having jurisdiction thereof, the remainder of the Agreement shall remain in full force and effect and the invalid provisions shall be deemed deleted.
29. Counterparts. This Agreement may be executed in one or more counterparts, any of which shall be deemed an original but all of which together shall constitute one and the same instrument. Authorization. Each party signing below warrants to the other party, that they have the full power and authority to execute this Agreement on behalf of the party for whom they sign.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, each of the parties has executed this Agreement by its duly authorized officer as of the day and year first written above.

COUNTY OF KANDIYOHI

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

By: _____
Name:
Title:

By: _____
Name:
Title:

SIGNATURE PAGE TO SUBAWARD AGREEMENT

SUBAWARD AGREEMENT

List of Exhibits

- Exhibit A** Interagency Agreement Between the U.S. Department of Treasury and Kandiyohi County.
- Exhibit B** US Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule
- Exhibit C** Compliance & Reporting Guidelines
- Exhibit D** Project Description and Disbursement of Funds
- Exhibit E** Subaward Data

Exhibit A

Interagency Agreement Between the U.S. Department of Treasury and Kandiyohi County

Exhibit B

Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule

Exhibit C

Compliance & Reporting Guidelines

Exhibit D

Project Description and Eligible Expenses

The Subrecipient has entered into a Professional Services Agreement with Constance Schmoll (“Contractor”) for broadband planning in Kandiyohi County. The Professional Services Agreement includes costs related to broadband infrastructure projects that will be funded, in part or in whole, with the County’s ARPA Funds.

ARPA provides that ARPA Funds may be used to cover the cost of hiring a consultant for the effective management and oversight of ARPA Funds.

The County has determined that the consultant costs associated with projects that are to be funded using ARPA Funds are an eligible use of ARPA funds (“Eligible Expenses”).

Disbursement of Funds

Subrecipient may request reimbursement in a form acceptable to the County once per month (“Request for Reimbursement”). The request for reimbursement must include proof that the Subrecipient incurred Eligible Expenses in the form of payments to the Contractor for work directly related to broadband projects funded in part or in whole by the County’s ARPA Funds.

The County shall disburse funds to Subrecipient within fifteen (15) days of receipt of a Request for Reimbursement for Eligible Expenses. Disbursement shall occur via electric fund transfer or any other manner the Parties agree to in writing.

Exhibit E

Subaward Data		
(i)	Subrecipient Name	Kandiyohi County and City of Willmar Economic Development Commission
(ii)	Subrecipient Unique Entity Identifier:	[Insert Subrecipient Identifier #]
(iii)	Federal Award Identification Number (FAIN):	[Insert Federal Award Identification # from completed acceptance of terms document]
(iv)	Federal Award Date of Award to the Recipient by the Federal Agency:	[Insert date funds received by County]
(v)	Subaward Period of Performance Start Date:	Effective Date
	Subaward Period of Performance End Date:	January 31, 2022
(vi)	Amount of Federal Funds Obligated by this Action by the Pass-Through Entity to the Subrecipient:	\$11,000
(vii)	Total Amount of Federal Funds Obligated to the Subrecipient by the Pass-Through Entity Including the Current Obligation:	\$11,000 [If additional federal awards have been awarded to the Subrecipient, insert total amount, including the Total Agreement Funds specified above]
(viii)	Total Amount of the Federal Award Committed to the Subrecipient by the Pass-Through Entity:	[Insert amount]
(ix)	Federal Award Project Description:	The Coronavirus State and Local Fiscal Recovery Funds program is intended to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. This includes making necessary investments in broadband infrastructure and the hiring of consultants to effectively manage ARPA Funds.
(x)	Name of Federal Awarding Agency:	US Department of the Treasury
	Name of Pass-Through Entity:	Kandiyohi County
	Contact Information for County Authorizing Official and Project Director:	Larry Kleindl, County Administrator 2200 23 rd Street NE, Suite 2020 Willmar, MN 56201 larry.kleindl@kcmn.us

	CFDA Number and Name:	21.027 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS
	Identification of Whether Subaward is R&D:	Not for R&D
(xi)	Indirect Cost Rate for County Federal Award:	Not applicable



**POPULATION CHANGE FOLLOWING 2020 CENSUS
FOR KANDIYOHI COUNTY/CITIES**

Unit of Government	2010 Population	2020 Population	Population Difference	% Change
Kandiyohi County	42,239	43,732	+1,493	+3.5%
Incorporated Cities				
Willmar	19,610	21,015	+1,405	+7.2%
New London	1,251	1,252	+1	0.0%
Atwater	1,133	1,124	-9	-0.8%
Spicer	1,167	1,112	-55	-4.7%
Raymond	764	782	+18	+2.4%
Kandiyohi	491	569	+78	+15.9%
Prinsburg	497	520	+23	+4.6%
Pennock	508	479	-29	-5.7%
Lake Lillian	238	246	+8	+3.4%
Blomkest	157	145	-12	-7.6%
Sunburg	100	94	-6	-6.0%
Other Regional Centers				
Owatonna	25,599	26,420	+821	+3.2%
Austin	24,718	26,174	+1,456	+5.9%
Faribault	23,352	24,453	+1,101	+4.7%
Albert Lea	18,016	18,492	+476	+2.6%
Red Wing	16,459	16,547	+88	+0.5%
Hibbing	16,361	16,214	-147	-0.9%
Hutchinson	14,178	14,599	+421	+3.0%
Bemidji	13,431	14,574	+1,143	+8.5%
Brainerd	13,590	14,395	+805	+5.9%
Alexandria	11,070	14,335	+3,265	+29.5%
New Ulm	13,522	14,120	+598	+4.4%
Fergus Falls	13,138	14,119	+981	+7.5%
Worthington	12,764	13,947	+1,183	+9.3%
Marshall	13,680	13,628	-52	-0.4%
Grand Rapids	10,869	11,126	+257	+2.4%

POPULATION CHANGE FOLLOWING 2020 CENSUS FOR KANDIYOHI COUNTY TOWNSHIPS				
Township	2010 Population	2020 Population	Population Difference	% Change
New London	2,943	2,952	+9	+3%
Dovre	2,119	2,163	+44	+2.1%
Green Lake	1,582	1,637	+55	+3.5%
Lake Andrew	982	978	-4	-.4%
Irving	906	965	+59	+6.5%
Roseville	622	637	+15	+2.4%
Colfax	547	612	+65	+11.9%
Kandiyohi	636	572	-64	-10.1%
Burbank	566	571	+5	+9%
Harrison	576	554	-22	-3.8%
Whitefield	525	512	-13	-2.5%
Willmar	513	478	-35	-6.8%
Genessee	413	423	+10	+2.4%
St. Johns	411	418	+7	+1.7%
Mamre	385	399	+14	+3.6%
Arctander	381	369	-12	-3.1%
Holland	338	359	+21	+6.2%
Roseland	371	353	-18	-4.9%
Fahlun	335	332	-3	-.9%
Norway Lake	274	281	+7	+2.6%
Edwards	242	245	+3	+1.2%
Lake Elizabeth	233	190	-43	-18.5%
Lake Lillian	190	181	-9	-4.7%
East Lake Lillian	199	170	-29	-14.6%

36 counties in Greater Minnesota saw decreases in population ([source Minnesota State Demographer](#))

The average national growth rate is 7.4% and for Minnesota 7.6%

[Kandiyohi County Quick Facts](#)

[City of Willmar Quick Facts](#)

[Census.gov](https://www.census.gov)