

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

YEAR ENDED DECEMBER 31, 2005

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

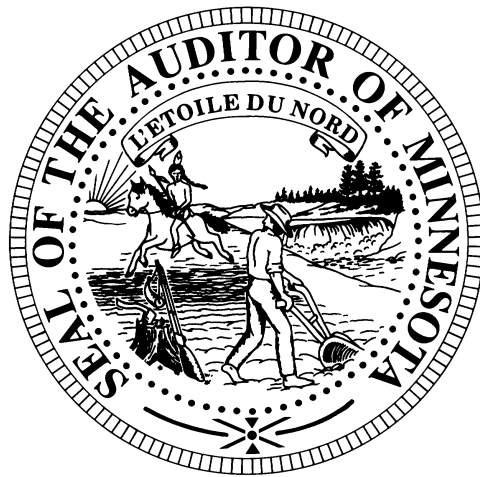
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Year Ended December 31, 2005



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

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WILLMAR, MINNESOTA**

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

ORGANIZATION
2005

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	Richard Falk*	January 1999	January 2007
2nd District	Richard Larson	January 1997	January 2009
3rd District	Dean Shuck**	January 2003	January 2007
4th District	Dennis Peterson	January 1993	January 2009
5th District	Harlan Madsen	January 1995	January 2007
Officers			
Elected			
Attorney	Boyd Beccue	January 1995	January 2007
Auditor/Treasurer	Sam Modderman	January 1995	January 2007
Recorder	Julie Kalkbrenner	January 1995	January 2007
Registrar of Titles	Julie Kalkbrenner	January 1995	January 2007
Sheriff	Dan Hartog	January 2003	January 2007
Surveyor	Duane Bonnema	January 2003	January 2007
Appointed			
Administrator	Wayne Thompson		Indefinite
Assessor	Tim Falkum	January 2005	December 2008
Court Administrator	Theresa Fredrickson		Indefinite
Examiner of Titles	Dean Anderson		Indefinite
Public Works Director	Gary Danielson	May 1994	May 2007
Veterans Service Officer	Steve Peterson		Indefinite
Human Services Director	Larry Kleindl		Indefinite
Medical Examiner	Lyle Munneke		Indefinite
Community Corrections Director	Debra West		Indefinite
Chair*			
Vice Chair**			

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STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Kandiyohi County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County, Minnesota, as of and for the year ended December 31, 2005, which collectively comprise Kandiyohi County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kandiyohi County's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements include the Kandiyohi County Housing and Redevelopment Authority's (HRA) activities as of and for the year ended June 30, 2005. We did not audit the financial statements of the Kandiyohi County HRA, which is the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Kandiyohi County HRA, is based solely upon the report of other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the

aggregate remaining fund information of Kandiyohi County as of December 31, 2005, including the Kandiyohi County HRA as of June 30, 2005, and the respective changes in financial position, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Kandiyohi County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Kandiyohi County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 8, 2006, on our consideration of Kandiyohi County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the Kandiyohi County HRA, which was audited by other auditors.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 8, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

(Unaudited)

Kandiyohi County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2005. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements (beginning with Exhibit 1).

FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are \$103,118,552, of which \$44,518,420 is invested in capital assets, net of related debt, and \$8,711,972 is restricted to specific purposes.
- Kandiyohi County's net assets increased by \$9,590,625 for the year ended December 31, 2005. The net assets of the County's discretely presented component unit increased by \$45,691.
- The net cost of governmental activities was \$15,456,978 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$25,047,603.
- Governmental funds' fund balances increased by \$3,863.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Kandiyohi County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

There are two government-wide financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start with Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by

providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins with Exhibit 1. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets--the difference between assets and liabilities--as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors need to be considered, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two kinds of activities:

- Governmental activities--The County's basic services are reported here, including general government, public safety, highways and streets, human services, health, environmental services, culture and recreation, and conservation of natural resources. Property taxes and state and federal grants finance most of these activities.
- Component units--The County includes two separate legal entities in its report. One of these entities, the Kandiyohi County Building Authority, is blended in with other funds of the County. The other entity, the Kandiyohi County Housing and Redevelopment Authority, is presented in a separate column. Although legally separate, these "component units" are important because the County is financially accountable for them.

Fund Financial Statements

Our analysis of the County's major funds begins with Exhibit 3. The fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds--governmental and fiduciary--use different accounting methods.

- Governmental funds--The County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.
- Fiduciary funds--The County is the trustee, or fiduciary, over assets that can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on Exhibits 7 and 8. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were \$103,118,552 on December 31, 2005. (See Table A-1.)

Table A-1
The County's Net Assets

	Governmental Activities		Percent Change (%)
	2005	2004 (As Restated)	
Current and other assets	\$ 75,737,729	\$ 67,221,673	12.7
Capital assets	110,173,162	104,899,439	5.0
Total Assets	\$ 185,910,891	\$ 172,121,112	8.0
Current liabilities	\$ 8,123,347	\$ 4,530,842	79.3
Long-term liabilities	74,668,992	74,062,343	0.8
Total Liabilities	\$ 82,792,339	\$ 78,593,185	5.3
Net Assets			
Invested in capital assets, net of related debt	\$ 44,518,420	\$ 37,572,610	18.5
Restricted assets	8,711,972	7,380,583	18.0
Unrestricted	49,888,160	48,574,734	2.7
Total Net Assets	\$ 103,118,552	\$ 93,527,927	10.3

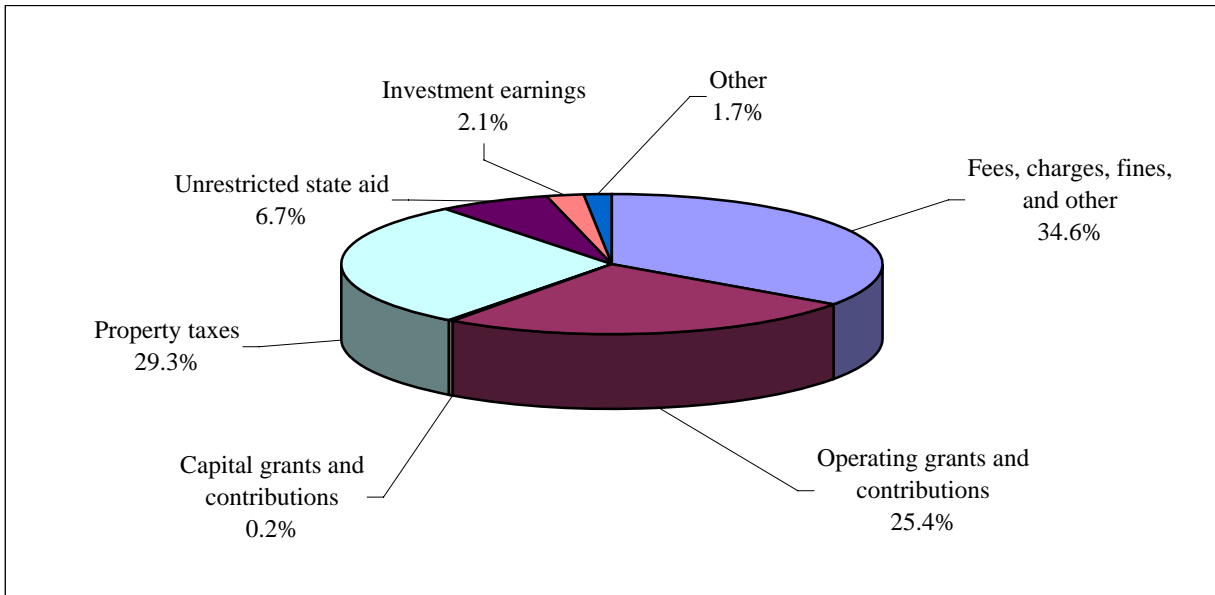
Changes in Net Assets

The County-wide total revenues were \$62,946,750 for the year ended December 31, 2005. Property taxes and intergovernmental revenues accounted for 61.6 percent of total revenues for the year. (See Figures A-3 and A-4.)

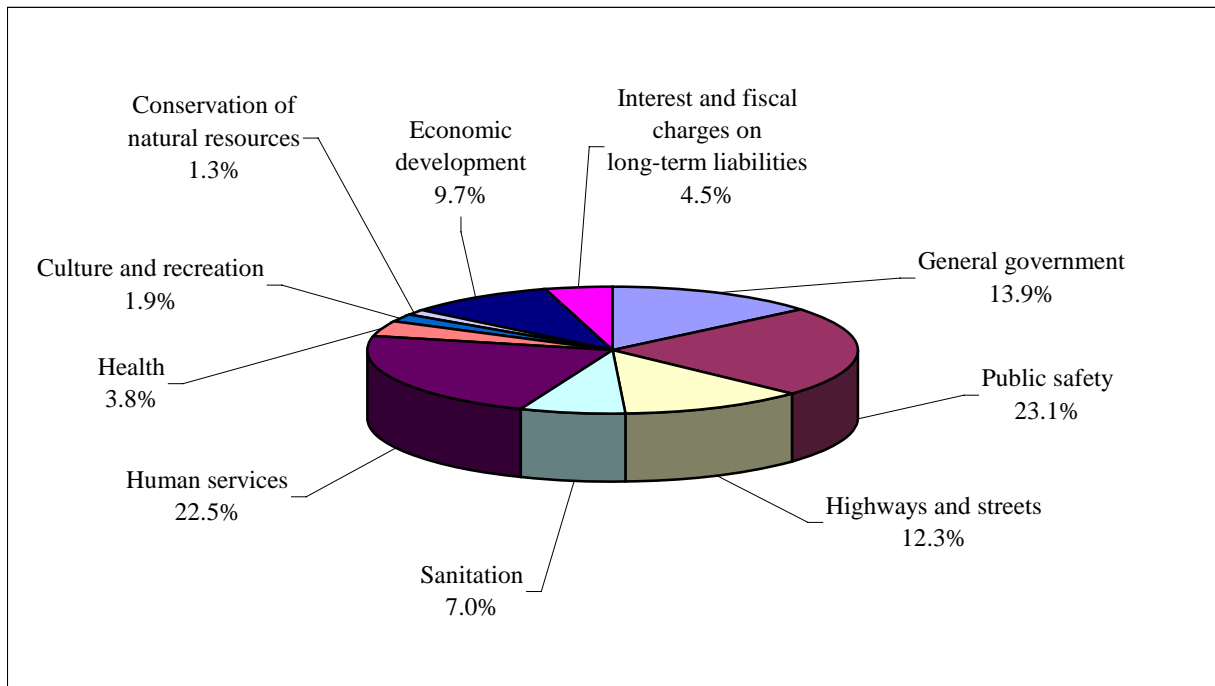
Table A-2
Changes in Net Assets

	Governmental Activities for Fiscal Year Ended December 31		Percent Change (%)
	2005	2004 (As Restated)	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 21,772,239	\$ 14,435,247	50.8
Operating grants and contributions	16,012,847	14,008,057	14.3
Capital grants and contributions	114,061	484,480	(76.5)
General revenues			
Property taxes	18,472,632	18,215,493	1.4
Unrestricted state aid	4,190,777	3,884,486	7.9
Investment earnings	1,327,562	745,728	78.0
Other	1,056,632	1,397,695	(24.4)
Total Revenues	<u>\$ 62,946,750</u>	<u>\$ 53,171,186</u>	18.4
Expenses			
General government	\$ 7,427,809	\$ 7,323,521	1.4
Public safety	12,311,228	11,683,283	5.4
Highways and streets	6,563,264	6,929,078	(5.3)
Sanitation	3,708,794	3,187,382	16.4
Human services	12,005,273	12,380,242	(3.0)
Health	2,045,211	1,779,461	14.9
Culture and recreation	994,846	1,090,645	(8.8)
Conservation of natural resources	714,906	845,759	(15.5)
Economic development	5,180,502	18,765	27,507.3
Interest and fiscal charges on long-term liabilities	2,404,292	2,499,352	(3.8)
Total Expenses	<u>\$ 53,356,125</u>	<u>\$ 47,737,488</u>	11.8
Increase in Net Assets	\$ 9,590,625	\$ 5,433,698	76.5
Beginning Net Assets	<u>93,527,927</u>	<u>88,094,229</u>	6.2
Ending Net Assets	<u>\$ 103,118,552</u>	<u>\$ 93,527,927</u>	10.3

**Figure A-3
Sources of County Revenues for Fiscal Year 2005**



**Figure A-4
Sources of County Expenses During Fiscal Year 2005**



Total revenues surpassed expenses, increasing net assets \$9,590,625 over last year.

The County-wide cost of all governmental activities this year was \$53,356,125.

- Some of the cost was paid by the users of the County’s programs (\$21,772,239).
- The federal and state governments subsidized certain programs with grants and contributions (\$16,126,908).
- Some of the County’s costs (\$15,456,978), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$18,472,632 in property taxes; \$4,190,777 of state aid; and investment earnings and other general revenues.

Table A-5 presents the cost of each of the County’s program functions, as well as each function’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

**Table A-5
Governmental Activities**

	Total Cost of Services		Percent Change (%)	Net Cost of Services		Percent Change (%)
	2005	2004 (As Restated)		2005	2004 (As Restated)	
General government	\$ 7,427,809	\$ 7,323,521	1.4	\$ 5,128,190	\$ 5,484,625	(6.5)
Public safety	12,311,228	11,683,283	5.4	7,478,453	6,667,959	12.2
Highways and streets	6,563,264	6,929,078	(5.3)	(4,580,761)	875,530	(623.2)
Sanitation	3,708,794	3,187,382	16.4	(2,123,428)	(2,644,426)	19.7
Human services	12,005,273	12,380,242	(3.0)	5,772,941	5,131,288	12.5
Health	2,045,211	1,779,461	14.9	573,862	(202,182)	383.8
Culture and recreation	994,846	1,090,645	(8.8)	605,920	765,469	(20.8)
Conservation of natural resources	714,906	845,759	(15.5)	313,303	213,324	46.9
Economic development	5,180,502	18,765	27,507.3	(115,794)	18,765	(717.1)
Interest and fiscal charges on long-term liabilities	2,404,292	2,499,352	(3.8)	2,404,292	2,499,352	(3.8)
Total	\$ 53,356,125	\$ 47,737,488		\$ 15,456,978	\$ 18,809,704	

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$52,268,780.

Revenues for the County’s governmental funds were \$58,252,795, while total expenditures were \$62,107,369. During 2005, the County also issued bonds and loans and sold capital assets, which are included in other financing sources and uses.

GENERAL FUND

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects.

Table A-6 presents a summary of General Fund revenues.

**Table A-6
General Fund Revenues**

	Year Ended December 31		Increase (Decrease)	Percent Change (%)
	2005	2004		
Taxes	\$ 8,484,100	\$ 8,440,484	\$ 43,616	0.5
Intergovernmental	4,679,153	4,315,711	363,442	8.4
Charges for services	5,012,641	5,235,391	(222,750)	(4.3)
Investment earnings	609,860	324,607	285,253	87.9
Miscellaneous and other	1,335,571	1,280,950	54,621	4.3
Total General Fund Revenues	<u>\$ 20,121,325</u>	<u>\$ 19,597,143</u>	<u>\$ 524,182</u>	2.7

Table A-7 presents a summary of General Fund expenditures.

**Table A-7
General Fund Expenditures**

	Year Ended December 31		Increase (Decrease)	Percent Change (%)
	2005	2004		
General government	\$ 5,337,962	\$ 5,583,632	\$ (245,670)	(4.4)
Public safety	11,557,583	10,733,590	823,993	7.7
Health	2,051,421	1,771,314	280,107	15.8
Culture and recreation	362,236	448,761	(86,525)	19.3
Conservation of natural resources	530,625	467,659	62,966	13.5
Economic development	15,210	18,765	(3,555)	(18.9)
Insurance	470,783	465,206	5,577	1.2
Debt service	34,641	20,483	14,158	69.1
Total General Fund Expenditures	<u>\$ 20,360,461</u>	<u>\$ 19,509,410</u>	<u>\$ 851,051</u>	4.4

General Fund Budgetary Highlights

- Actual revenues were \$2,245,768 more than expected.
- Actual expenditures were \$1,207,220 more than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2005, the County had invested over \$129,691,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-8.) (More detailed information about capital assets can be found in Note 3.A.3. to the financial statements.) Total depreciation expense for the year was \$2,897,218.

**Table A-8
County's Capital Assets**

	2005	2004 (As Restated)	Percent Change (%)
Land	\$ 4,262,673	\$ 3,970,344	7.4
Landfill	3,217,047	3,217,047	0.0
Infrastructure	70,599,040	66,760,276	5.8
Buildings	33,608,511	32,808,504	2.4
Machinery, vehicles, furniture, and equipment	9,753,677	10,304,511	(5.3)
Construction in progress	12,513,224	10,162,689	23.1
Less: accumulated depreciation	<u>(23,781,010)</u>	<u>(22,323,932)</u>	6.5
Total Capital Assets	<u>\$ 110,173,162</u>	<u>\$ 104,899,439</u>	5.0

Debt

At year-end, the County had outstanding debt of \$71,654,921 versus \$71,291,281 last year, an increase of .5 percent as shown in Table A-9.

**Table A-9
County's Outstanding Debt**

	2005	2004	Percent Change (%)
Installment purchase obligation	\$ 6,530,000	\$ 6,985,000	(6.5)
General obligation bonds	36,220,000	33,645,000	7.7
Special assessment bonds	7,805,000	8,315,000	(6.1)
General obligation capital notes	765,000	1,505,000	(49.2)
Deferred (discount) premiums	(38,090)	8,257	(561.3)
Loans payable	16,423,903	17,185,605	(4.4)
Paving assessments	8,104	10,010	(19.0)
Capital leases payable	-	59,037	(100.0)
Estimated liability for landfill closure/postclosure	<u>3,941,004</u>	<u>3,578,372</u>	10.1
Total Long-Term Liabilities	<u>\$ 71,654,921</u>	<u>\$ 71,291,281</u>	0.5

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County is dependent on the State of Minnesota for a significant portion of its revenues. Recent experience demonstrates that the Legislature may decrease revenues again.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the County Administrator, Wayne Thompson, Health and Human Services Building, 2200 - 23rd Street N.E., Willmar, Minnesota 56201.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	Primary Governmental Activities	Component Unit Kandiyohi County Housing and Redevelopment Authority
<u>Assets</u>		
Cash and pooled investments	\$ 49,335,708	\$ 313,198
Accrued interest receivable	146,564	-
Accounts receivable - net	172,240	116,186
Prepaid items	-	2,046
Taxes receivable		
Prior - net	368,749	59,564
Special assessments receivable - prior	87,311	-
Due from other governments	2,475,338	-
Inventories	349,120	-
Loans receivable	5,296,296	-
Deferred charges	105,066	12,733
Restricted assets		
Cash and pooled investments	-	34,480
Cash with escrow agent	7,406,337	-
Advance to other governments	36,159	-
Special assessments receivable - noncurrent	9,958,841	-
Capital assets		
Non-depreciable	16,775,897	82,359
Depreciable - net of accumulated depreciation	93,397,265	1,183,774
Total Assets	\$ 185,910,891	\$ 1,804,340
<u>Liabilities</u>		
Accounts payable	\$ 1,011,080	\$ 10,373
Salaries payable	674,930	-
Accrued payroll taxes	-	30,156
Contracts payable	726,171	-
Due to other governments	924,768	11,211
Accrued interest payable	919,533	-
Unearned revenue	3,866,865	157,165
Accounts payable from restricted assets	-	13,105
Long-term liabilities		
Due within one year	4,213,250	28,697
Due in more than one year	70,455,742	1,404,986
Total Liabilities	\$ 82,792,339	\$ 1,655,693

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	Primary Government Governmental Activities	Component Unit Kandiyohi County Housing and Redevelopment Authority
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 44,518,420	\$ -
Restricted for		
General government	86,738	-
Public safety	227,791	-
Debt service	8,397,443	-
Unrestricted	49,888,160	148,647
Total Net Assets	\$ 103,118,552	\$ 148,647

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 7,427,809	\$ 1,775,142
Public safety	12,311,228	3,635,685
Highways and streets	6,563,264	3,672,534
Sanitation	3,708,794	5,832,222
Human services	12,005,273	453,367
Health	2,045,211	525,226
Culture and recreation	994,846	327,544
Conservation of natural resources	714,906	254,223
Economic development	5,180,502	5,296,296
Interest and fiscal charges	2,404,292	-
Total primary government	\$ 53,356,125	\$ 21,772,239
Component unit		
Kandiyohi County Housing and Redevelopment Authority	\$ 1,418,360	\$ 269,036

General Revenues

Property taxes, levied for general purposes
Property taxes, levied for debt service
Grants and contributions not restricted to specific programs
Payments in lieu of tax
Investment income
Miscellaneous

Total general revenues

Change in net assets

Net Assets - January 1, as restated (Note 1.E.)

Net Assets - December 31

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Discretely Presented Component Unit
\$ 524,477	\$ -	\$ (5,128,190)	
1,150,630	46,460	(7,478,453)	
7,403,890	67,601	4,580,761	
-	-	2,123,428	
5,778,965	-	(5,772,941)	
946,123	-	(573,862)	
61,382	-	(605,920)	
147,380	-	(313,303)	
-	-	115,794	
-	-	(2,404,292)	
\$ 16,012,847	\$ 114,061	\$ (15,456,978)	
\$ 1,192,566	\$ -		\$ 43,242
		\$ 17,240,408	\$ -
		1,232,224	-
		4,190,777	-
		128,294	-
		1,327,562	2,449
		928,338	-
		\$ 25,047,603	\$ 2,449
		\$ 9,590,625	\$ 45,691
		93,527,927	102,956
		\$ 103,118,552	\$ 148,647

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 6,196,641	\$ 12,544,915
Cash with escrow agent	-	-
Taxes receivable		
Prior	169,737	46,095
Special assessments receivable		
Prior	2,443	159
Noncurrent	456,070	26,601
Accounts receivable	10,893	-
Accrued interest receivable	52,103	10,973
Loans receivable	-	-
Due from other funds	427,630	53,242
Due from other governments	536,296	1,342,763
Advance to other governments	-	-
Inventories	-	349,120
	\$ 7,851,813	\$ 14,373,868
Total Assets	\$ 7,851,813	\$ 14,373,868

EXHIBIT 3

Human Services	Sanitary Landfill/ Recycling Center	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 6,112,610	\$ 13,060,872	\$ 2,637,807	\$ 8,810,490	\$ 49,363,335
-	-	7,406,337	-	7,406,337
90,838	-	25,321	42,388	374,379
-	47,841	30,252	7,948	88,643
-	-	9,130,461	497,367	10,110,499
6,067	154,139	-	1,141	172,240
-	63,812	-	19,676	146,564
-	-	5,296,296	-	5,296,296
1,175	-	163,476	12,486	658,009
325,693	1,364	106,532	162,690	2,475,338
36,159	-	-	-	36,159
-	-	-	-	349,120
\$ 6,572,542	\$ 13,328,028	\$ 24,796,482	\$ 9,554,186	\$ 76,476,919

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Cash overdraft	\$ -	\$ -
Accounts payable	318,489	210,250
Salaries payable	424,978	74,259
Contracts payable	-	726,171
Due to other funds	463,714	9,850
Due to other governments	136,762	14,248
Deferred revenue - unavailable	586,037	703,289
Deferred revenue - unearned	670,623	3,135,173
	\$ 2,600,603	\$ 4,873,240
Fund Balances		
Reserved for		
Inventories	\$ -	\$ 349,120
Advances to other governments	-	-
Recorder's equipment purchases	86,738	-
Sheriff's contingency	66,739	-
Debt service	102,829	170,745
Enhanced 911	161,052	-
Unreserved		
Designated for debt service	-	-
Designated for petty cash funds	1,640	-
Undesignated	4,832,212	8,980,763
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Capital projects funds	-	-
	\$ 5,251,210	\$ 9,500,628
Total Liabilities and Fund Balances	\$ 7,851,813	\$ 14,373,868

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Sanitary Landfill/ Recycling Center</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 27,627	\$ 27,627
274,823	72,358	-	135,160	1,011,080
146,277	12,512	-	16,904	674,930
-	-	-	-	726,171
26,666	2,213	397,043	17,739	917,225
181,224	9,796	101,719	221,803	665,552
68,770	41,324	14,473,050	446,219	16,318,689
-	46,399	-	14,670	3,866,865
<u>\$ 697,760</u>	<u>\$ 184,602</u>	<u>\$ 14,971,812</u>	<u>\$ 880,122</u>	<u>\$ 24,208,139</u>
\$ -	\$ -	\$ -	\$ -	\$ 349,120
36,159	-	-	-	36,159
-	-	-	-	86,738
-	-	-	-	66,739
-	-	8,123,869	-	8,397,443
-	-	-	-	161,052
-	-	1,700,801	-	1,700,801
-	-	-	-	1,640
5,838,623	13,143,426	-	-	32,795,024
-	-	-	8,179,423	8,179,423
-	-	-	494,641	494,641
<u>\$ 5,874,782</u>	<u>\$ 13,143,426</u>	<u>\$ 9,824,670</u>	<u>\$ 8,674,064</u>	<u>\$ 52,268,780</u>
<u>\$ 6,572,542</u>	<u>\$ 13,328,028</u>	<u>\$ 24,796,482</u>	<u>\$ 9,554,186</u>	<u>\$ 76,476,919</u>

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005**

Fund balances - total governmental funds (Exhibit 3)	\$	52,268,780
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		110,173,162
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		
Revenue deferred as unavailable	\$ 16,318,684	
Allowance for uncollectible receivables included in deferred revenue	<u>(158,620)</u>	16,160,069
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Installment purchase obligations	\$ (6,530,000)	
General obligation bonds	(36,220,000)	
Discount and premium	38,090	
Deferred debt issuance costs	105,066	
Special assessment bonds	(7,805,000)	
General obligation capital notes	(765,000)	
Paving special assessments	(8,104)	
Loans payable	(16,423,903)	
Landfill closure/postclosure liability	(3,941,004)	
Compensated absences	(3,014,071)	
Accrued interest payable	<u>(919,533)</u>	<u>(75,483,459)</u>
Net assets of governmental activities (Exhibit 1)		<u>\$ 103,118,552</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Road and Bridge
Revenues		
Taxes	\$ 8,484,100	\$ 2,363,593
Special assessments	58,055	10,606
Licenses and permits	473,780	-
Intergovernmental	4,679,153	8,126,891
Charges for services	5,012,641	3,462,562
Fines and forfeits	-	-
Gifts and contributions	19,456	-
Investment earnings	609,860	180,809
Miscellaneous	784,280	115,349
	\$ 20,121,325	\$ 14,259,810
Expenditures		
Current		
General government	\$ 5,337,962	\$ -
Public safety	11,557,583	-
Highways and streets	-	9,778,910
Sanitation	-	-
Human services	-	-
Health	2,051,421	-
Culture and recreation	362,236	-
Conservation of natural resources	530,625	-
Economic development	15,210	-
Insurance	470,783	-
Intergovernmental		
Highways and streets	-	263,697
Sanitation	-	-
Culture and recreation	-	-
Capital outlay	-	-
Debt service		
Principal	24,884	200,000
Interest	9,757	95,494
Bond issuance costs	-	32,468
Administrative (fiscal) charges	-	-
	\$ 20,360,461	\$ 10,370,569
Excess of Revenues Over (Under) Expenditures	\$ (239,136)	\$ 3,889,241

EXHIBIT 5

Human Services	Sanitary Landfill/ Recycling Center	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 4,349,625	\$ -	\$ 1,229,981	\$ 2,030,569	\$ 18,457,868
-	860,348	898,060	430,728	2,257,797
-	690	-	-	474,470
6,944,232	93,722	277,574	532,661	20,654,233
453,367	2,532,122	829,972	743,955	13,034,619
-	-	-	9,233	9,233
-	-	-	500	19,956
-	243,034	179,955	113,904	1,327,562
-	399	226,134	890,895	2,017,057
\$ 11,747,224	\$ 3,730,315	\$ 3,641,676	\$ 4,752,445	\$ 58,252,795
\$ -	\$ -	\$ -	\$ 811,967	\$ 6,149,929
-	-	-	214,605	11,772,188
-	-	-	512,552	10,291,462
-	1,815,364	-	845,088	2,660,452
11,945,661	-	-	-	11,945,661
-	-	-	1,363	2,052,784
-	-	-	352,043	714,279
-	-	-	180,308	710,933
-	-	5,165,292	-	5,180,502
-	-	-	-	470,783
-	-	-	-	263,697
-	-	101,809	-	101,809
-	-	-	242,400	242,400
-	-	-	3,147,056	3,147,056
-	725,000	2,759,000	60,943	3,769,827
-	116,011	2,370,643	3,119	2,595,024
-	-	-	-	32,468
-	748	4,637	730	6,115
\$ 11,945,661	\$ 2,657,123	\$ 10,401,381	\$ 6,372,174	\$ 62,107,369
\$ (198,437)	\$ 1,073,192	\$ (6,759,705)	\$ (1,619,729)	\$ (3,854,574)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ 150,000	\$ -
Transfers out	(166,800)	(2,811,730)
Proceeds from sale of bonds	-	3,700,000
Loans issued	117,182	-
Proceeds from sale of capital assets	-	-
Discount on bond issuance	-	(42,765)
	\$ 100,382	\$ 845,505
Net Changes in Fund Balances	\$ (138,754)	\$ 4,734,746
Fund Balance - January 1, as previously reported	\$ 5,389,964	\$ 4,784,330
Prior period adjustment	-	-
	\$ 5,389,964	\$ 4,784,330
Fund Balance - January 1, as restated (Note 1.E.)	\$ 5,389,964	\$ 4,784,330
Increase (decrease) in reserved for inventories	\$ -	\$ (18,448)
Fund Balance - December 31	\$ 5,251,210	\$ 9,500,628

EXHIBIT 5
(Continued)

Human Services	Sanitary Landfill/ Recycling Center	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,137,337	\$ 5,914,727	\$ 8,202,064
-	(150,000)	(1,622,427)	(3,451,107)	(8,202,064)
-	-	-	-	3,700,000
-	-	-	-	117,182
-	-	-	102,468	102,468
-	-	-	-	(42,765)
\$ -	\$ (150,000)	\$ 514,910	\$ 2,566,088	\$ 3,876,885
\$ (198,437)	\$ 923,192	\$ (6,244,795)	\$ 946,359	\$ 22,311
\$ 6,073,219	\$ 12,220,234	\$ 16,466,508	\$ 7,727,705	\$ 52,661,960
-	-	(397,043)	-	(397,043)
\$ 6,073,219	\$ 12,220,234	\$ 16,069,465	\$ 7,727,705	\$ 52,264,917
\$ -	\$ -	\$ -	\$ -	\$ (18,448)
\$ 5,874,782	\$ 13,143,426	\$ 9,824,670	\$ 8,674,064	\$ 52,268,780

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 22,311

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase (decrease) in revenue deferred as unavailable, net of allowances for uncollectibles.

Deferred revenue - December 31	\$ 16,318,689	
less allowance for uncollectible receivables	(158,620)	
Deferred revenue - January 1	(11,632,321)	
less allowance for uncollectible receivables	166,207	4,693,955

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 9,508,232	
Net book value of assets disposed of	(1,337,291)	
Current year depreciation	(2,897,218)	5,273,723

Bond and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The net proceeds for debt issuance are:

Debt issued		
General obligation bonds	\$ (3,700,000)	
Loans	(117,182)	
Debt issuance costs	32,468	
Discount on bonds	42,765	(3,741,949)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments		
Installment purchase obligations	\$ 455,000	
General obligation bonds	1,125,000	
Special assessment bonds	510,000	
General obligation capital notes	740,000	
Paving special assessments	1,906	
Loans payable	878,884	
Capital leases	59,037	3,769,827

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$	199,190	
Current year amortization of premium on bonds issued		7,520	
Current year amortization of discount on bonds issued		(3,938)	
Current year amortization of deferred debt issuance costs		(5,925)	
Change in compensated absences		(243,009)	
Change in inventories		(18,448)	
Change in landfill closure/postclosure liability		(362,632)	(427,242)
Change in net assets of governmental activities (Exhibit 2)			<u>\$ 9,590,625</u>

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FIDUCIARY FUNDS

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005**

	County Cemetery Investment Trust	Agency
<u>Assets</u>		
Cash and pooled investments	\$ 28,363	\$ 6,287,977
Receivables		
Taxes - delinquent	-	965
Accrued interest	261	1,862
Due from other funds	-	259,216
Due from other governments	283	58,195
Total Assets	\$ 28,907	\$ 6,608,215
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 529
Due to other governments	-	6,607,686
Total Liabilities	\$ -	\$ 6,608,215
<u>Net Assets</u>		
Net assets, held in trust for perpetual care - expendable	\$ 28,907	

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
COUNTY CEMETERY INVESTMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Additions</u>	
Investment earnings	
Interest	\$ 675
Miscellaneous	458
	<hr/>
Total Additions	\$ 1,133
<u>Deductions</u>	
Payments in accordance with trust agreements	620
	<hr/>
Change in net assets	\$ 513
Net Assets - January 1	28,394
	<hr/>
Net Assets - December 31	\$ 28,907
	<hr/> <hr/>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2005. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Kandiyohi County was established March 20, 1858, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. Kandiyohi County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Auditor/Treasurer, elected on a County-wide basis, serves as a clerk of the Board but does not vote in its decisions.

For financial reporting purposes, Kandiyohi County has included all funds, organizations, agencies, boards, commissions, and authorities, and has considered all potential component units for which the County is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

As required by accounting principles generally accepted in the United States of America, these financial statements present Kandiyohi County (primary government) and its component units for which the County is financially accountable.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Blended Component Unit

Blended component units are legally separate organizations that are so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Kandiyohi County has one blended component unit.

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
The Kandiyohi County Building Authority provides space for the County's offices.	County Commissioners are the members of the Kandiyohi County Building Authority Board.	Separate financial statements are not prepared.

Discretely Presented Component Unit

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. Kandiyohi County has one discretely presented component unit.

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
The Kandiyohi County Housing and Redevelopment Authority (HRA) administers the public housing programs authorized by the United States Housing Act of 1937, as amended. The HRA also provides assistance grants to eligible families of the Section 8 programs.	The County appoints a voting majority of the HRA's Board of Directors and approves the HRA's budget.	Heartland Community Action Agency, Inc. 409 - 19th Avenue S.W. P. O. Box 1359 Willmar, Minnesota 56201

Joint Ventures

The County participates in four joint ventures described in Note 5.D. The County also participates in the jointly-governed organizations described in Note 5.E.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported in a single column.

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or 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 County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Sanitary Landfill/Recycling Center Special Revenue Fund is used to account for the County's landfill operations and for funds used in the connection and operation of the County Recycling Center. Financing for the sanitary landfill is provided by special assessments, user charges, and the sale of solid waste bonds. Financing for the construction of the County Recycling Center is provided by the sale of solid waste bonds and a grant from the State of Minnesota under the capital assistance program.

The Debt Service Fund is used to account for financial resources to be used to account for the payment of principal, interest, and related costs of the County's debt obligations.

Additionally, the County reports the following fund types:

Fiduciary Funds

The County Cemetery Investment Trust Fund is used to account for the collection and distribution of funds to the County Cemetery Association.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements

Fiduciary Funds (Continued)

The Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund 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. Property taxes are recognized as revenues in the year for which they are levied. 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. Kandiyohi County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2005, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2005 were \$558,856.

Kandiyohi County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables in the government-wide statements, including those of the discretely presented component unit, are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed.

4. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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. The purchase of computer software and most communications equipment are not capitalized due to their estimated lives of less than five years. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Landfill	50
Public domain infrastructure	50 - 75
Furniture, equipment, and vehicles	5 - 20

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Deferred Revenue

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

8. Long-Term Obligations (Continued)

the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

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

10. 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 and 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.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Prior Period Adjustments

1. Restatement of Fund Balance

The January 1, 2005, fund balance in the Debt Service Fund was restated for \$397,043 due to a previous year's receipt of funds, which should have been remitted to the General Fund to extinguish an advance to other governmental units in the General Fund.

Balance, January 1, 2005, as previously reported	\$ 16,466,508
Prior period adjustment for correction to fund balance	<u>(397,043)</u>
Balance, January 1, 2005, as restated	<u>\$ 16,069,465</u>

The fund balance of the General Fund was not restated because the receivable was reclassified from an advance from other governmental units to a due from other funds.

2. Restatement of Construction in Progress Capital Asset

The January 1, 2005, balance for construction in progress, as reported in the County's capital assets, was restated due to the County not capitalizing bituminous paving in its 2004 construction in progress.

Balance, January 1, 2005, as previously reported	\$ 8,163,925
Prior period adjustment for correction to construction in progress	<u>1,998,764</u>
Balance, January 1, 2005, as restated	<u>\$ 10,162,689</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Prior Period Adjustments (Continued)

3. Restatement of Land Capital Asset

The January 1, 2005, balance for land, as reported in the County's capital assets, was restated due to the County not capitalizing additional land purchased as part of right-of-way road construction.

Balance, January 1, 2005, as previously reported	\$	3,966,106
Prior period adjustment for correction to land		4,238
Balance, January 1, 2005, as restated	\$	3,970,344

4. Restatement of Beginning Net Asset Balance in the Statement of Activities

The adjustments of the January 1, 2005, balance for the restatement of the Debt Service Fund fund balance and the corrections to the construction in progress and land capital assets resulted in the corresponding adjustments of the January 1 Net Assets balance of the governmental activities in the Statement of Activities.

Balance, January 1, 2005, as previously reported	\$	91,921,968
Prior period adjustment for restatement of Debt Service Fund fund balance		(397,043)
Prior period adjustment for correction to land		4,238
Prior period adjustment for correction to construction in progress		1,998,764
Balance, January 1, 2005, as Restated	\$	93,527,927

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Fourteen of 109 drainage systems of the Ditch Special Revenue Fund have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the unreserved, undesignated fund balance as of December 31, 2005:

Account balances	\$	679,861
Account deficits		(189,387)
Fund Balance	\$	490,474

The Regional Treatment Center Special Revenue Fund had a deficit fund balance of \$36,557 at December 31, 2005. The deficit is expected to be eliminated through future collections of lease payments.

B. Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2005:

	Expenditures	Final Budget	Excess
General Fund	\$ 20,360,461	\$ 19,153,241	\$ 1,207,220
Special Revenue Funds			
Sanitary Landfill/Recycling Center	2,657,123	2,167,216	489,907
Capital Equipment	914,739	-	914,739
Green Lake Sewer	729,923	719,100	10,823
Health and Human Services Building	460,572	431,500	29,072

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of County's total cash and investments to the basic financial statements follows:

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 49,335,708
Cash with escrow agent	7,406,337
Statement of fiduciary net assets	
Cash and pooled investments	<u>6,316,340</u>
Total Cash and Investments	<u>\$ 63,058,385</u>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County 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, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. The County's deposits in banks at December 31, 2005, were entirely covered by federal depository insurance and collateral in accordance with Minnesota statutes.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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 County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

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

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

The following table presents the County's investment balances at December 31, 2005, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Percent (%) of Portfolio	Maturity Date	
U.S. Government Securities/Bonds					
U.S. Treasury Notes	Aaa	Moody		5/15/2006	\$ 2,974,680
U.S. Treasury Notes	Aaa	Moody		8/15/2006	1,975,400
U.S. Treasury Notes	Aaa	Moody		2/15/2007	1,952,260
U.S. Treasury Notes	N/A	N/A		1/31/2006	127,992
U.S. Treasury Notes	N/A	N/A		7/31/2006	130,000
U.S. Treasury Notes	N/A	N/A		11/15/06	125,112
Total U.S. Treasury Notes			24.2%		\$ 7,285,444
U.S. Treasury Bonds					
U.S. Treasury Bonds	N/A	N/A		5/15/2007	\$ 123,038
U.S. Treasury Bonds	N/A	N/A		11/15/2007	6,366,290
Total U.S. Treasury Bonds			21.6%		\$ 6,489,328
Mutual Funds					
	NR	N/A	<5%		\$ 533,905
Federal Home Loan Bank					
Federal Home Loan Bank	Aaa	Moody		9/24/2008	\$ 1,491,090
Federal Home Loan Bank	Aaa	Moody		5/25/2018	1,913,760
Federal Home Loan Bank	Aaa	Moody		12/29/2006	199,392
Federal Home Loan Bank	Aaa	Moody		5/22/2013	239,129
Federal Home Loan Bank	Aaa	Moody		7/27/2007	696,500
Federal Home Loan Bank	Aaa	Moody		8/7/2008	98,313
Federal Home Loan Bank	Aaa	Moody		12/12/2008	196,688
Federal Home Loan Bank	Aaa	Moody		12/26/2008	384,752
Federal Home Loan Bank	Aaa	Moody		2/13/2009	97,438
Federal Home Loan Bank	Aaa	Moody		6/05/2009	490,780
Federal Home Loan Bank	Aaa	Moody		6/30/2009	146,204
Federal Home Loan Bank	Aaa	Moody		10/22/2010	198,938
Total Federal Home Loan Bank			20.5%		\$ 6,152,984
Federal National Mortgage Association					
Federal National Mortgage Association	Aaa	Moody		9/18/2009	\$ 1,492,500
Federal National Mortgage Association	Aaa	Moody		5/3/2006	248,125
Federal National Mortgage Association	Aaa	Moody		4/20/2009	494,141
Federal National Mortgage Association	Aaa	Moody		5/04/2009	1,574,000
Federal National Mortgage Association	Aaa	Moody		6/02/2009	181,391
Federal National Mortgage Association	Aaa	Moody		1/19/2010	98,000
Federal National Mortgage Association	N/A	N/A		10/01/2028	18,580
Federal National Mortgage Association	N/A	N/A		12/1/2031	18,698
Total Federal National Mortgage Association			13.7%		\$ 4,125,435

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Percent (%) of Portfolio	Maturity Date	
Federal Home Loan Mortgage Corporation	Aaa	Moody		10/23/2008	\$ 486,460
Federal Home Loan Mortgage Corporation	Aaa	Moody		5/23/2012	98,137
Federal Home Loan Mortgage Corporation	Aaa	Moody		12/12/2035	129,200
Total Federal Home Loan Mortgage Corporation			<5%		\$ 713,797
Total U.S. Government Securities/Bonds					\$ 25,300,893
Investment pools					
MAGIC Fund	N/A	N/A	N/A	N/A	\$ 3,501,122
Repurchase agreement	N/A	N/A	N/A	N/A	\$ 1,270,781
Total Investments					\$ 30,072,796
Checking					1,583,147
Savings					27,536,561
Certificates of deposit					3,749,638
Departmental cash					113,728
Petty cash					2,515
Total Cash and Investments					\$ 63,058,385

N/A - Not Applicable

N/R - Not Rated

<5% - Concentration is less than 5% of investments

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2005, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Funds		
Receivables		
Taxes	\$ 374,379	\$ -
Special assessments	10,199,142	8,544,826
Accounts	172,240	-
Accrued interest	146,564	-
Loans	5,296,296	5,149,056
Due from other governments	2,475,338	-
Advance to other governments	36,159	-
	\$ 18,700,118	\$ 13,693,882
Total gross receivables	\$ 18,700,118	\$ 13,693,882
Less: allowance for uncollectibles	(158,620)	
Total Net Receivables	\$ 18,541,498	

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balance (As Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 3,970,344	\$ 636,302	\$ 343,973	\$ 4,262,673
Construction in progress	10,162,689	6,971,438	4,620,903	12,513,224
	\$ 14,133,033	\$ 7,607,740	\$ 4,964,876	\$ 16,775,897
Capital assets depreciated				
Landfill	\$ 3,217,047	\$ -	\$ -	\$ 3,217,047
Buildings	32,808,504	912,261	112,254	33,608,511
Machinery, vehicles, furniture, and equipment	10,304,511	988,231	1,539,065	9,753,677
Infrastructure	66,760,276	4,620,903	782,139	70,599,040
	\$ 113,090,338	\$ 6,521,395	\$ 2,433,458	\$ 117,178,275

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance (As Restated)</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Landfill	\$ 569,237	\$ 64,344	\$ -	\$ 633,581
Buildings	5,539,086	682,217	84,196	6,137,107
Machinery, vehicles, furniture, and equipment	6,621,401	746,766	1,355,944	6,012,223
Infrastructure	<u>9,594,208</u>	<u>1,403,891</u>	<u>-</u>	<u>10,998,099</u>
Total accumulated depreciation	<u>\$ 22,323,932</u>	<u>\$ 2,897,218</u>	<u>\$ 1,440,140</u>	<u>\$ 23,781,010</u>
Total capital assets depreciated, net	<u>\$ 90,766,406</u>	<u>\$ 3,624,177</u>	<u>\$ 993,318</u>	<u>\$ 93,397,265</u>
Governmental Activities Capital Assets, Net	<u>\$ 104,899,439</u>	<u>\$ 11,231,917</u>	<u>\$ 5,958,194</u>	<u>\$ 110,173,162</u>

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

Governmental Activities	
General government	\$ 388,434
Public safety	518,715
Highways and streets, including depreciation of infrastructure assets	1,191,958
Sanitation	724,162
Human services	13,946
Health	6,096
Culture and recreation	49,934
Conservation of natural resources	<u>3,973</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,897,218</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General	Human Services	\$ 26,666	Charges for services rendered and supplies provided
	Sanitary Landfill/ Recycling Center	2,213	Charges for services rendered and supplies provided
	Debt Service	397,043	Reclassification of prior year advance
	Other governmental	<u>1,708</u>	Charges for services rendered and supplies provided
Total Due to General Fund		<u>\$ 427,630</u>	
Road and Bridge	General	\$ 39,022	Charges for services rendered
	Other governmental	<u>14,220</u>	Charges for services rendered
Total Due to Road and Bridge Fund		<u>\$ 53,242</u>	
Human Services	Other governmental	\$ 1,175	Miscoding of expenditures
Debt Service	General	<u>\$ 163,476</u>	Miscoding of interest revenue
Other governmental	General	\$ 2,000	Miscoding of contribution revenue
	Road and Bridge	9,850	Charges for services rendered and supplies provided and ditch special assessments
	Other governmental	<u>636</u>	Miscoding of expenditures
Total Due to other governmental funds		<u>\$ 12,486</u>	
Fiduciary Funds - Agency Funds	General	<u>\$ 259,216</u>	Allocation of PACT 4 interest
Total Due To/From Other Funds		<u><u>\$ 917,225</u></u>	

The above interfund balances are expected to be paid within a year.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfer to General Fund from Sanitary Landfill/Recycling Center	\$ 150,000	Provide funds for operations
Transfers to Debt Service Fund from Other nonmajor governmental funds	\$ 2,137,337	Provide funds for debt service
Transfers to nonmajor governmental funds from General Fund	\$ 166,800	Provide funds for operations
Road and Bridge	2,811,730	To reimburse fund's share of prior year costs
Debt Service Fund	1,622,427	Cover completion of Green Lake Sewer projects
Other nonmajor governmental funds	1,313,770	Provide funds for debt service
Total transfers to nonmajor governmental funds	\$ 5,914,727	
Total Interfund Transfers	\$ 8,202,064	

C. Liabilities

1. Payables

Payables at December 31, 2005, were as follows

	Governmental Funds	Fiduciary Funds
Accounts	\$ 1,011,080	\$ 529
Salaries	674,930	-
Contracts	726,171	-
Due to other governments	665,552	6,607,686
Total Payables	\$ 3,077,733	\$ 6,608,215

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Other Postemployment Benefits - Retirees

The County provides postemployment health care benefits for certain retirees. The County contributes one year of single coverage paid health insurance for every three years of service, not to exceed \$390 per month per participant, until age 65. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of year-end, the County had 22 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2005, the County expended \$94,818 for these benefits.

3. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2005</u>
Installment Purchase Obligation					
1998 Refunding Certificates of Participation	2016	\$455,000 - \$735,000	4.20 - 4.80	<u>\$ 6,985,000</u>	<u>\$ 6,530,000</u>
General Obligation Bonds					
1998 G.O. Law Enforcement Facility Bonds	2020	\$95,000 - \$230,000	4.40 - 4.90	\$ 3,015,000	\$ 2,490,000
1999 G.O. Law Enforcement Facility Bonds	2020	\$210,000 - \$485,000	4.25 - 4.60	6,500,000	5,365,000
1999 G.O. State-Aid Highway Bonds	2014	\$125,000 - \$290,000	4.10 - 4.13	3,250,000	2,215,000
2000 G.O. Law Enforcement Facility Bonds	2021	\$245,000 - \$1,370,000	5.00 - 5.80	8,820,000	7,760,000
2000 G.O. Solid Waste Refunding Bonds	2011	\$225,000 - \$290,000	4.30 - 4.70	2,560,000	1,510,000
2004 Taxable G.O. Tax Abatement Bonds	2022	\$270,000 - \$540,000	3.125 - 5.30	6,135,000	6,135,000
2004 G.O. Law Enforcement Facility Refunding Bonds	2021	\$385,000 - \$1,340,000	3.375 - 4.15	7,045,000	7,045,000
2005 G.O. Road Reconstruction Bonds	2027	\$125,000 - \$270,000	3.75 - 4.25	<u>3,700,000</u>	<u>3,700,000</u>
Total General Obligation Bonds				<u>\$ 41,025,000</u>	<u>\$ 36,220,000</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
Special Assessment Bonds with Government Commitment					
2001A G.O. Solid Waste Revenue Bonds	2007	\$380,000 - \$480,000	3.50	\$ 2,200,000	\$ 945,000
2001B G.O. Sewer and Water Revenue Bonds	2022	\$30,000 - \$495,000	2.65 - 4.85	6,000,000	5,910,000
2002A Green Lake Sewer and Water Revenue Bonds	2023	\$15,000 - \$80,000	3.50 - 4.85	1,000,000	950,000
Total Special Assessment Bonds with Government Commitment				<u>\$ 9,200,000</u>	<u>\$ 7,805,000</u>
General Obligation Capital Notes					
2002B G.O. Capital Note	2006	\$685,000 - \$765,000	2.00 - 2.75	<u>\$ 2,900,000</u>	<u>\$ 765,000</u>

Loans Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
2000 Public Facilities Authority Clean Water G. O. Revenue Note	2020	\$5,119 - \$460,119	2.25	\$ 7,188,360	\$ 5,866,000
2001 Public Facilities Authority Clean Water G. O. Revenue Note	2021	\$2,565 - \$230,565	2.25	3,648,450	3,099,000
2002 Public Facilities Authority Clean Water G. O. Revenue Note	2021	\$428 - \$40,428	2.14	651,000	552,000
1999 Public Facilities Authority Drinking Water G. O. Revenue Note	2019	\$5,540 - \$318,540	3.54	4,446,000	3,529,000
2000 Public Facilities Authority Drinking Water G. O. Revenue Note	2019	\$2,805 - \$161,255	3.54	2,262,450	1,787,450
2001 Public Facilities Authority Drinking Water G. O. Revenue Note	2020	\$1,239 - \$71,239	3.54	1,012,260	834,000
2002 Public Facilities Authority Drinking Water G. O. Revenue Note	2021	\$283 - \$16,283	3.54	233,000	199,000
Hawk Creek Watershed Clean Water Partnership Project	2014	\$8,599	2.00	155,169	133,815

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Loans Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
Shakopee Creek Watershed Clean Water Partnership Project	2015	\$12,907	2.00	232,906	222,329
Hawk Creek Watershed Continuation Clean Water Partnership Project	2017	\$17,290	2.00	189,290	189,290
Shakopee Creek Watershed Continuation Clean Water Partnership Project	2018	\$11,526	2.00	12,019	12,019
Total Loans Payable				<u>\$ 20,030,904</u>	<u>\$ 16,423,903</u>

Paving Special Assessments

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
1999 Paving Special Assessments	2009	\$1,516 - \$2,164	6.50	\$ 14,238	\$ 5,695
2000 Paving Special Assessments	2010	\$517 - \$796	7.25	4,819	2,409
Total Special Assessments				<u>\$ 19,057</u>	<u>\$ 8,104</u>

4. Debt Service Requirements

Debt service requirements at December 31, 2005, were as follows:

Year Ending December 31	Installment Purchase Obligation		General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 475,000	\$ 288,084	\$ 1,170,000	\$ 1,583,964	\$ 740,000	\$ 320,218
2007	495,000	267,347	1,415,000	1,576,347	765,000	294,058
2008	510,000	245,613	1,600,000	1,511,759	300,000	275,098
2009	535,000	222,616	2,050,000	1,434,403	310,000	263,656
2010	560,000	198,113	2,145,000	1,344,974	320,000	251,425

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements (Continued)

Year Ending December 31	Installment Purchase Obligation		General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011 - 2015	3,220,000	569,861	10,715,000	5,292,414	1,840,000	1,040,334
2016 - 2020	735,000	17,640	11,715,000	2,790,816	2,340,000	573,933
2021 - 2025	-	-	4,885,000	315,643	1,190,000	64,071
2026 - 2029	-	-	525,000	22,631	-	-
Total	\$ 6,530,000	\$ 1,809,274	\$ 36,220,000	\$ 15,872,951	\$ 7,805,000	\$ 3,082,793

Year Ending December 31	General Obligation Capital Notes		Loans		Paving Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 765,000	\$ 21,038	\$ 913,067	\$ 445,239	\$ 1,906	\$ 545
2007	-	-	953,962	423,393	1,906	417
2008	-	-	1,002,743	402,434	1,906	290
2009	-	-	1,023,203	377,197	1,905	163
2010	-	-	1,048,989	348,987	481	35
2011 - 2015	-	-	5,576,489	1,293,010	-	-
2016 - 2020	-	-	5,621,450	474,476	-	-
2021 - 2025	-	-	284,000	6,552	-	-
2026 - 2029	-	-	-	-	-	-
Total	\$ 765,000	\$ 21,038	\$ 16,423,903	\$ 3,771,288	\$ 8,104	\$ 1,450

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Installment purchase obligation	\$ 6,985,000	\$ -	\$ 455,000	\$ 6,530,000	\$ 475,000
General obligation bonds	33,645,000	3,700,000	1,125,000	36,220,000	1,170,000
Special assessment debt with government commitment	8,315,000	-	510,000	7,805,000	740,000
General obligation capital notes	1,505,000	-	740,000	765,000	765,000
Deferred (discount)/premiums	8,257	3,938	50,285	(38,090)	1,546
Total bonds payable	\$ 50,458,257	\$ 3,703,938	\$ 2,880,285	\$ 51,281,910	\$ 3,151,546

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Changes in Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Paving special assessments	10,010	-	1,906	8,104	1,906
Capital leases	59,037	-	59,037	-	-
Loans payable	17,185,605	117,182	878,884	16,423,903	913,067
Estimated liability for landfill closure/postclosure	3,578,372	362,632	-	3,941,004	-
Compensated absences	2,771,062	393,059	150,050	3,014,071	141,731
Governmental Activities Long-Term Liabilities	<u>\$ 74,062,343</u>	<u>\$ 4,576,811</u>	<u>\$ 3,970,162</u>	<u>\$ 74,668,992</u>	<u>\$ 4,208,250</u>

Long-term debt was liquidated by payments from the following funds:

General	\$ 24,884
Road and Bridge	200,000
Sanitary Landfill/Recycling Center	725,000
Debt Service	2,759,000
Other governmental funds	<u>60,943</u>
Total Debt Reductions	<u>\$ 3,769,827</u>

4. Employee Retirement Systems and Pension Plans

A. Plan Description

All full-time and certain part-time employees of Kandiyohi County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.5 percent. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2005 and 2006:

	<u>2005</u>	<u>2006</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	5.53	6.00
Public Employees Police and Fire Fund	9.30	10.50
Public Employees Correctional Fund	8.75	8.75

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

The County's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2005	\$ 775,168	\$ 171,394	\$ 173,517
2004	746,169	158,284	163,453
2003	705,202	147,693	139,195

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

5. Summary of Significant Contingencies and Other Items

A. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although the majority of the closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each year-end. The County estimated the cost of closure and postclosure care to be \$3,941,004 with no remaining capacity to be filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements and, at December 31, 2005, cash and investments of \$4,279,791 are held for these purposes. The County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Landfill Closure and Postclosure Care Costs (Continued)

determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

B. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance coverage from the prior year. The amount of settlements did not exceed insurance coverage for any of the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$760,000 per claim in 2005 and \$390,000 in 2006. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

Kandiyohi County has a program to self-insure a dental insurance plan for participating employees. The County has contracted with Minnesota Dental Benefits, a third-party administrator, to process claims against the plan.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

The County contributed \$24 per payroll period for each participating employee in 2005. The County deposits the County contributions and employee deductions with the administrator. Any claims paid by the administrator in excess of the deposits are billed to the County. The County also pays an administrative charge for the services rendered by the administrator. Financial transactions relating to the self-insurance plan are recorded in the General Fund.

The County has not had an actuarial study of the self-insurance dental plan; it has concluded that the risk of any major losses covered by self-insurance under this plan is covered by the general taxing powers of the County. There were no accrued benefits at December 31, 2005 and 2004. The following discloses the claims activity during fiscal years 2005 and 2004.

	Year Ended December 31	
	2005	2004
Beginning liability	\$ -	\$ -
Current year claims	231,946	206,912
Claim payments	(231,946)	(206,912)
End of Year Liability	\$ -	\$ -

C. Contingent Liabilities

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items (Continued)

D. Joint Ventures

Kandiyohi - Region 6W Community Corrections Agencies Detention Center (Prairie Lakes Youth Programs)

Kandiyohi County entered into a joint powers agreement to create and operate the Kandiyohi - Region 6W Community Corrections Agencies Detention Center (commonly referred to as the Prairie Lakes Youth Programs) pursuant to Minn. Stat. § 471.59. The Detention Center provides detention services to juveniles under the jurisdiction of the counties who are parties to the agreement (Chippewa, Lac qui Parle, Swift, and Yellow Medicine, all of which are served by the Region 6W Community Corrections Agency) and Kandiyohi County.

Control of the Youth Program is vested in a Joint Board, which is composed of one Commissioner from each participating county. An Advisory Board has also been established, which is composed of the directors of the Kandiyohi County Community Corrections Agency and the Region 6W Community Corrections Agency, and the directors of the family services or human services departments of the counties participating in the agreement. The Youth Program is located at the Willmar Regional Treatment Center in space rented from the State of Minnesota.

At December 31, 2004 (the most recent information available), the Youth Program had long-term debt of \$69,707, all of which was compensated absences. Financing is provided by charges for services to member and nonmember counties. Complete financial information can be obtained from the Youth Program's Office, P. O. Box 894, Willmar, Minnesota 56201.

Minnesota River Board

Kandiyohi County entered into a joint powers agreement with other counties to create the Minnesota River Board. The Board promotes the orderly water quality improvement and management of the Minnesota River Watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans which counties may develop and implement pursuant to Minn. Stat. §§ 103B.311 and 103B.315.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Minnesota River Board (Continued)

The County is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project. In the event of termination of the agreement, all property, real and personal, held by the Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

Control is vested in an Executive Board of five officers elected from the membership of the Board, consisting of one representative and alternate from each County Board of Commissioners included in this agreement.

Complete financial information for the Minnesota River Board can be obtained from its administrative offices at Administration Building No. 14, 600 East Fourth Street, Chaska, Minnesota 55108.

Southwestern Minnesota Adult Mental Health Consortium

In November 1997, the County entered into a joint powers agreement with Big Stone, Chippewa, Cottonwood, Jackson, Lac qui Parle, McLeod, Meeker, Nobles, Pipestone, Redwood, Renville, Rock, Swift, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon and Murray Human Services Board, creating and operating the Southwest Minnesota Adult Mental Health Consortium under the authority of Minn. Stat. § 471.59. The Consortium is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host. The Consortium shall take actions and enter into such agreements as may be necessary to plan and develop within the Consortium's geographic jurisdiction, a system of care that will serve the needs of adults with serious and persistent mental illness. The governing Board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium (Continued)

The following is a summary of the Consortium's annual financial report for the year ended December 31, 2003 (the most recent information available):

Total Assets (includes \$116,825 of fixed assets)	\$ 220,978
Total Liabilities	5,230
Total Fund Equity	215,748
Total Revenues	889,414
Total Expenditures/Expenses	856,904
Increase (Decrease) in Fund Equity	32,510

The Consortium reported no long-term obligations at December 31, 2003.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium can be obtained at Cottonwood County Family Services Agency, Windom, Minnesota 56101.

Crow River Watershed

In April 1999, the County entered into a joint powers agreement with other counties to promote the orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans which counties may develop and implement pursuant to Minn. Stat. §§ 103B.311 and 103B.315. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds. Current financial information is not available.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items (Continued)

E. Jointly-Governed Organizations

Kandiyohi County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

Coordinated Enforcement Effort (CEE) VI Task Force

The Task Force was established to receive and expend federal, state, and local grants and other related funds for the purpose of investigation of burglary, theft, narcotics, stolen property, and crimes of violence. Kandiyohi County has no operational or financial control over the CEE VI Task Force. During the year, Kandiyohi County did not contribute any funds to the Task Force. In an agent capacity, Kandiyohi County reports the cash transactions of the CEE VI Task Force as an agency fund on its financial statements.

Regional Library

Kandiyohi County participates in the Western Plains Library System in order to provide efficient and improved regional public library service.

The financial activities of the Western Plains Library System are reported as part of the Pioneerland Regional Library System. Financial information for the Library System is not available.

Putting All Communities Together (PACT) 4 Families Collaborative

PACT 4 was established in 1996 by a joint powers agreement among Kandiyohi, Meeker, Renville, and Yellow Medicine Counties. The agreement was established to provide coordinated services to children and families. Kandiyohi County is the fiscal agent of the Collaborative.

Kandiyohi County has no operational or financial control over the Collaborative.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Kandiyohi County and City of Willmar Economic Development Commission
(EDC)

The EDC was established on July 1, 2003 by a joint-powers agreement between Kandiyohi County and the City of Willmar by resolution pursuant to Minn. Laws 1989, First Special Session, ch. 1, Art. 17, § 21. The EDC was set up to encourage, attract, promote, and develop economically sound industry and commerce within the County and City.

The EDC has six members. Kandiyohi County appoints three members and the City of Willmar appoints three members of the EDC. Each member is appointed to serve for three years. The Board appoints a fiscal agent to handle and be responsible for safekeeping the funds of the EDC. Kandiyohi County acts as the fiscal agent for the EDC and reports the activity of the EDC as an agency fund on its financial statements.

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the HRA. The HRA is reporting as of and for the year ended June 30, 2005.

The accounts of the HRA are organized and operated on the basis of funds, with each fund having a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. These funds are used to account for operations of the HRA and are grouped into the proprietary category. Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The HRA's government-wide financial statements (the statement of net assets and the statement of activities) are prepared using the economic resources measurement focus and the accrual basis of accounting.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA) (Continued)

B. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash

For the purpose of the statement of cash flows, all cash deposits and temporary investments with original terms of three months or less are considered to be cash.

D. Property and Equipment

Property and equipment are stated at historical or estimated historical cost and are depreciated using the straight-line method over their estimated useful lives ranging from 8 to 40 years.

E. Bond Issuance Costs

Bond issuance costs are stated at historical cost and are amortized using the straight-line method over 30 years.

F. Deposits and Investments

The HRA's cash and investments as of June 30, 2005, are summarized as follows:

Unrestricted		
Cash on deposit	\$	206,566
Investments (certificates of deposit)		106,632
Restricted		
Cash on deposit		<u>34,480</u>
Total	\$	<u><u>347,678</u></u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

F. Deposits and Investments (Continued)

In accordance with Minnesota statutes, the HRA maintains deposits at depository banks authorized by the Board. All such depositories are federally insured. The carrying amount of the HRA's deposits with financial institutions was \$347,678 as of June 30, 2005; the bank balance was \$343,307. There were no uninsured balances as of June 30, 2005.

Minnesota statutes require that all HRA deposits be protected by insurance, surety bond, or collateral, and that securities pledged as collateral be legal instruments and be held in safekeeping by the HRA Treasurer or in a financial institution other than that furnishing the collateral. The market value of collateral pledged must generally exceed deposits not covered by insurance or bonds by at least ten percent. The HRA was in compliance with these Minnesota statutes at June 30, 2005.

The HRA is authorized to invest available funds as described in Minn. Stat. ch. 118A. The following types of investments are allowed by Minnesota statutes:

- (a) direct obligations or obligations guaranteed by the United States or its agencies;
- (b) shares of investment companies registered under the Federal Investment Company Act of 1940 whose only investments are in securities described in Minnesota statutes;
- (c) general obligations of the State of Minnesota or any of its municipalities and other state and local government obligations as listed in Minnesota statutes;
- (d) bankers' acceptances of United States banks, eligible for purchase by the Federal Reserve System;
- (e) commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less;
- (f) repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in United States government securities reporting to the Federal Reserve Bank of New York, certain Minnesota securities broker-dealers, or a bank qualified as a depository; and

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

F. Deposits and Investments (Continued)

(g) guaranteed investment contracts issued or guaranteed by a United States commercial bank or domestic branch of a foreign bank or a United States insurance company or its Canadian or United States subsidiary, provided it ranks on a parity with the senior unsecured debt obligations of the issuer or guarantor and meets other requirements as stated in Minnesota statutes.

G. Receivables

Receivables for the HRA at June 30, 2005, were as follows:

Accounts	\$ 116,186
Taxes receivable	59,564
	\$ 175,750
Total Receivables	\$ 175,750

H. Property and Equipment

The HRA's property and equipment activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 58,916	\$ -	\$ -	\$ 58,916
Landscaping	23,443	-	-	23,443
	\$ 82,359	\$ -	\$ -	\$ 82,359
Total capital assets not depreciated	\$ 82,359	\$ -	\$ -	\$ 82,359
Capital assets depreciated				
Buildings	\$ 1,380,083	\$ -	\$ -	\$ 1,380,083
Machinery, furniture, and equipment	48,362	-	-	48,362
	\$ 1,428,445	\$ -	\$ -	\$ 1,428,445
Total capital assets depreciated	\$ 1,428,445	\$ -	\$ -	\$ 1,428,445
Less: accumulated depreciation	200,104	44,567	-	244,671
Total capital assets, depreciated, net	\$ 1,228,341	\$ (44,567)	\$ -	\$ 1,183,774
Total Capital Assets, Net	\$ 1,310,700	\$ (44,567)	\$ -	\$ 1,266,133

Depreciation expense of \$ 44,567 was charged to housing and redevelopment expense.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA) (Continued)

I. Payables

Payables for the HRA at June 30, 2005, were as follows:

Accounts	\$	10,373
Accrued payroll taxes		30,156
Due to other governmental units, U.S. Department of Housing and Urban Development (HUD)		11,211
Total	\$	51,740

J. Property Taxes

Property tax levies are set by the HRA and are certified to the County each year for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Real property taxes are generally due from taxpayers in equal installments on May 15 and October 15. The County remits tax settlements to the HRA at various times during the year. Taxes collectible in a given calendar year are generally recognized as revenue during that fiscal year.

K. Long-Term Debt

Long-term debt outstanding at June 30, 2005, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Interest Rate (%)	Original Issue Amount	Remaining Commitment
Essential Function Housing Development Bond of 1997	2030	5.25 - 8.75	\$ 1,530,000	\$ 1,433,683

The estimated debt service requirements as of June 30, 2005, are as follows:

Year Ending December 31	Principal	Interest	Total
2006	\$ 28,697	\$ 73,423	\$ 102,120
2007	29,283	72,837	102,120
2008	30,842	71,278	102,120
2009	32,486	69,634	102,120
2010	34,216	67,904	102,120

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

K. Long-Term Debt (Continued)

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011 - 2015	199,002	311,598	510,600
2016 - 2020	258,590	252,010	510,600
2021 - 2025	336,020	174,580	510,600
2026 - 2030	484,547	77,113	561,660
Total	<u>\$ 1,433,683</u>	<u>\$ 1,170,377</u>	<u>\$ 2,604,060</u>

L. Lease Agreement

The HRA, operating under a shared services agreement with the Housing and Redevelopment Authority in and for the City of Willmar, Minnesota, (Willmar HRA) entered into a five-year lease commencing November 1, 2003, for office space with Kandiyohi County. Under the terms of the lease, the HRA and the Willmar HRA are required to make monthly lease payments to the County in the amount of \$3,092.

Under the shared services agreement with the Willmar HRA, each party to the agreement will pay 50 percent of the aforementioned lease agreement in addition to other cost-shared services. Total HRA rental expense for the year ended June 30, 2005, totaled \$18,550.

The HRA's portion of four-year future minimum rental payments is summarized as follows:

2006	\$ 18,552
2007	18,552
2008	18,552
2009	<u>6,184</u>
Total	<u>\$ 61,840</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

6. Kandiyohi County Housing and Redevelopment Authority (HRA) (Continued)

M. Risk Management

The HRA is exposed to various risks of loss from torts; theft of, damage to, or destruction of assets; business interruption; errors or omissions; job-related illnesses or injuries to employees; and natural disasters. The HRA has purchased commercial insurance to mitigate its exposure for such losses. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximum coverages are exceeded, this could cause the HRA to suffer losses if a loss is incurred from such incidents. The ultimate outcome of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. Settled claims to date have not exceeded coverage levels, and insurance coverage, by major categories of risk, is consistent with coverage in the prior year.

N. Contingencies

The HRA receives grant funds, principally from HUD for the Vouchers Choice program. Monies from HUD are received directly from the federal agency. Certain expenditures are subject to audit by HUD, and the HRA is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the HRA, no material refunds will be required as a result of expenditures disallowed by HUD.

REQUIRED SUPPLEMENTARY INFORMATION

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,613,138	\$ 8,613,138	\$ 8,484,100	\$ (129,038)
Special assessments	-	-	58,055	58,055
Licenses and permits	326,200	326,200	473,780	147,580
Intergovernmental	4,131,164	4,131,164	4,679,153	547,989
Charges for services	3,882,955	3,882,955	5,012,641	1,129,686
Gifts and contributions	-	-	19,456	19,456
Investment earnings	350,000	350,000	609,860	259,860
Miscellaneous	572,100	572,100	784,280	212,180
Total Revenues	\$ 17,875,557	\$ 17,875,557	\$ 20,121,325	\$ 2,245,768
Expenditures				
Current				
General government				
Commissioners	\$ 287,200	\$ 287,200	\$ 295,946	\$ (8,746)
Courts	20,000	20,000	18,499	1,501
Law library	100,000	100,000	81,342	18,658
County administration	196,700	196,700	284,144	(87,444)
County auditor	1,037,600	1,037,600	875,360	162,240
County assessor	467,700	467,700	441,610	26,090
Elections	1,500	1,500	825	675
Records management	49,000	49,000	48,810	190
Data processing	347,400	347,400	378,050	(30,650)
Attorney	754,000	754,000	811,500	(57,500)
Recorder	431,900	431,900	424,297	7,603
Surveyor	90,000	90,000	80,427	9,573
Planning and zoning	385,500	385,500	540,140	(154,640)
Buildings and plant	1,021,800	1,021,800	934,388	87,412
Veterans service officer	132,200	132,200	122,624	9,576
Total general government	\$ 5,322,500	\$ 5,322,500	\$ 5,337,962	\$ (15,462)
Public safety				
Sheriff	\$ 3,942,655	\$ 3,942,655	\$ 4,223,003	\$ (280,348)
Boat and water safety	50,900	50,900	39,975	10,925
Coroner	30,000	30,000	40,084	(10,084)
E-911 system	20,000	20,000	95,354	(75,354)
Group home	1,105,800	1,105,800	1,210,332	(104,532)
County jail	3,691,100	3,691,100	3,853,272	(162,172)
Community corrections	2,034,000	2,034,000	1,865,764	168,236
Civil defense	172,800	172,800	229,799	(56,999)
Total public safety	\$ 11,047,255	\$ 11,047,255	\$ 11,557,583	\$ (510,328)
Health				
Nursing service	\$ 1,810,600	\$ 1,810,600	\$ 2,051,421	\$ (240,821)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Schedule 1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Culture and recreation				
Historical society	\$ 50,000	\$ 50,000	\$ 50,506	\$ (506)
Parks	256,550	256,550	257,501	(951)
Other	54,800	54,800	54,229	571
Total culture and recreation	\$ 361,350	\$ 361,350	\$ 362,236	\$ (886)
Conservation of natural resources				
Cooperative extension	\$ 114,000	\$ 114,000	\$ 107,264	\$ 6,736
Soil and water conservation	117,600	117,600	117,600	-
Agricultural inspections	29,900	29,900	52,343	(22,443)
Agricultural society/County fair	20,000	20,000	20,000	-
Water planning	13,443	13,443	10,027	3,416
Other	136,493	136,493	223,391	(86,898)
Total conservation of natural resources	\$ 431,436	\$ 431,436	\$ 530,625	\$ (99,189)
Economic development				
Community development	\$ -	\$ -	\$ 15,210	\$ (15,210)
Unallocated				
Insurance	\$ 180,100	\$ 180,100	\$ 470,783	\$ (290,683)
Debt service				
Principal	\$ -	\$ -	\$ 24,884	\$ (24,884)
Interest	\$ -	\$ -	\$ 9,757	\$ (9,757)
Total Expenditures	\$ 19,153,241	\$ 19,153,241	\$ 20,360,461	\$ (1,207,220)
Excess of Revenues Over (Under) Expenditures	\$ (1,277,684)	\$ (1,277,684)	\$ (239,136)	\$ 1,038,548
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 150,000	\$ 150,000
Transfers out	-	-	(166,800)	(166,800)
Loans issued	-	-	117,182	117,182
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 100,382	\$ 100,382
Net Change in Fund Balance	\$ (1,277,684)	\$ (1,277,684)	\$ (138,754)	\$ 1,138,930
Fund Balance - January 1	5,389,964	5,389,964	5,389,964	-
Fund Balance - December 31	\$ 4,112,280	\$ 4,112,280	\$ 5,251,210	\$ 1,138,930

The notes to the required supplementary information are an integral part of this statement.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,371,511	\$ 2,371,511	\$ 2,363,593	\$ (7,918)
Special assessments	-	-	10,606	10,606
Intergovernmental	11,737,489	11,737,489	8,126,891	(3,610,598)
Charges for services	370,000	370,000	3,462,562	3,092,562
Investment earnings	193,000	193,000	180,809	(12,191)
Miscellaneous	-	-	115,349	115,349
Total Revenues	\$ 14,672,000	\$ 14,672,000	\$ 14,259,810	\$ (412,190)
Expenditures				
Current				
Highways and streets				
Administration	\$ -	\$ -	\$ 683,455	\$ (683,455)
Maintenance	3,618,000	3,618,000	2,162,357	1,455,643
Construction	13,830,000	13,830,000	6,044,453	7,785,547
Equipment maintenance and shops	300,000	300,000	888,645	(588,645)
Total highways and streets	\$ 17,748,000	\$ 17,748,000	\$ 9,778,910	\$ 7,969,090
Intergovernmental				
Highways and streets	-	-	263,697	(263,697)
Debt service				
Principal	200,000	200,000	200,000	-
Interest	95,000	95,000	95,494	(494)
Bond issuance costs	-	-	32,468	(32,468)
Total Expenditures	\$ 18,043,000	\$ 18,043,000	\$ 10,370,569	\$ 7,672,431
Excess of Revenues Over (Under) Expenditures	\$ (3,371,000)	\$ (3,371,000)	\$ 3,889,241	\$ 7,260,241
Other Financing Sources (Uses)				
Transfers in	\$ 504,000	\$ 504,000	\$ -	\$ (504,000)
Transfers out	-	-	(2,811,730)	(2,811,730)
Proceeds from sale of bonds	-	-	3,700,000	3,700,000
Discount on sale of bonds	-	-	(42,765)	(42,765)
Total Other Financing Sources (Uses)	\$ 504,000	\$ 504,000	\$ 845,505	\$ 341,505
Net Change in Fund Balance	\$ (2,867,000)	\$ (2,867,000)	\$ 4,734,746	\$ 7,601,746
Fund Balance - January 1	4,784,330	4,784,330	4,784,330	-
Increase (decrease) in reserved for inventories	-	-	(18,448)	(18,448)
Fund Balance - December 31	\$ 1,917,330	\$ 1,917,330	\$ 9,500,628	\$ 7,583,298

The notes to the required supplementary information are an integral part of this statement.

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,361,127	\$ 4,361,127	\$ 4,349,625	\$ (11,502)
Intergovernmental	7,920,573	7,920,573	6,944,232	(976,341)
Charges for services	132,300	132,300	453,367	321,067
Total Revenues	\$ 12,414,000	\$ 12,414,000	\$ 11,747,224	\$ (666,776)
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,665,582	\$ 2,665,582	\$ 2,433,579	\$ 232,003
Social services	9,748,418	9,748,418	9,512,082	236,336
Total Expenditures	\$ 12,414,000	\$ 12,414,000	\$ 11,945,661	\$ 468,339
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (198,437)	\$ (198,437)
Fund Balance - January 1	6,073,219	6,073,219	6,073,219	-
Fund Balance - December 31	\$ 6,073,219	\$ 6,073,219	\$ 5,874,782	\$ (198,437)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
SANITARY LANDFILL/RECYCLING CENTER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 900,000	\$ 900,000	\$ 860,348	\$ (39,652)
Licenses and permits	800	800	690	(110)
Intergovernmental	94,980	94,980	93,722	(1,258)
Charges for services	2,120,300	2,120,300	2,532,122	411,822
Investment earnings	125,000	125,000	243,034	118,034
Miscellaneous	2,000	2,000	399	(1,601)
Total Revenues	\$ 3,243,080	\$ 3,243,080	\$ 3,730,315	\$ 487,235
Expenditures				
Current				
Sanitation				
Solid waste	\$ 1,275,916	\$ 1,275,916	\$ 1,815,364	\$ (539,448)
Debt service				
Principal	774,300	774,300	725,000	49,300
Interest	116,000	116,000	116,011	(11)
Administrative (fiscal) charges	1,000	1,000	748	252
Total Expenditures	\$ 2,167,216	\$ 2,167,216	\$ 2,657,123	\$ (489,907)
Excess of Revenues Over (Under) Expenditures	\$ 1,075,864	\$ 1,075,864	\$ 1,073,192	\$ (2,672)
Other Financing Sources (Uses)				
Transfers in	\$ 275,000	\$ 275,000	\$ -	\$ (275,000)
Transfers out	(420,000)	(420,000)	(150,000)	270,000
Total Other Financing Sources (Uses)	\$ (145,000)	\$ (145,000)	\$ (150,000)	\$ (5,000)
Net Change in Fund Balance	\$ 930,864	\$ 930,864	\$ 923,192	\$ (7,672)
Fund Balance - January 1	12,220,234	12,220,234	12,220,234	-
Fund Balance - December 31	\$ 13,151,098	\$ 13,151,098	\$ 13,143,426	\$ (7,672)

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Ditch, Eagle Lake Sewer, DARE, Forfeited Tax Sale, and Regional Treatment Center Special Revenue Funds; the Debt Service Fund; and the Capital Projects Fund. All annual appropriations lapse at fiscal year-end. Comparisons of estimated revenues and expenditures to actual are presented in the budgetary comparison schedules for the General Fund and the major special revenue funds.

The appropriated budget is prepared by fund, function, and department. Kandiyohi County's department heads may make transfers of appropriations within the department. Transfers of appropriations between departments require the approval of the Board of Commissioners. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the fund level.

The Board of Commissioners did not revise the budgetary appropriations at the fund, function, or department level during the fiscal year.

Encumbrance accounting, under which commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the governmental funds. Encumbrances outstanding at year-end are reported as reserved fund balances since they do not constitute expenditures or liabilities. Encumbrances lapse at year-end and are rebudgeted the following year.

2. Excess of Expenditures Over Budget

The following is a summary of individual major funds that had expenditures in excess of budget for the year ended December 31, 2005:

	Expenditures	Final Budget	Excess
General Fund	\$ 20,360,461	\$ 19,153,241	\$ 1,207,220
Special Revenue Funds			
Sanitary Landfill/Recycling Center	2,657,123	2,167,216	489,907

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SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes.

Capital Equipment Fund - to account for funds used to purchase capital equipment. Financing is provided by property taxes authorized by the County Board.

County Building Fund - to account for funds used for improvements to and purchases of County buildings. Financing is provided by property taxes authorized by the County Board.

Ditch Fund - to account for funds used by the various ditches. Financing is provided by special assessments.

Eagle Lake Sewer Fund - to account for funds used by the Eagle Lake sewer system. Financing is provided by special assessments.

Green Lake Sewer Fund - to account for funds used by the Green Lake sewer system. Financing is provided by special assessments and charges for services.

County Library Fund - to account for funds used by the library. Financing is provided primarily by property taxes authorized by the County Board.

DARE Fund - to account for funds used by the County to sponsor its Drug Abuse Resistance Education (DARE) program. Financing is provided by gifts and contributions from outside sources.

Health and Human Services Building Fund - to account for revenues collected from the lease of the County's Health and Human Services Building and the expenditures associated with the operation.

Forfeited Tax Sale Fund - to account for all funds received from the sale of land for forfeited taxes. Monies are held until disbursement to various entities.

Regional Treatment Center Fund - to account for revenues collected from the lease of the Regional Treatment Center Building and the expenditures associated with the operation.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for financial resources to be used for the construction of major capital facilities of the County.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Special Revenue (Statement 3)	Capital Projects	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and pooled investments	\$ 8,293,431	\$ 517,059	\$ 8,810,490
Taxes receivable			
Prior	42,388	-	42,388
Special assessments receivable			
Prior	7,948	-	7,948
Noncurrent	497,367	-	497,367
Accounts receivable	1,141	-	1,141
Accrued interest receivable	19,676	-	19,676
Due from other funds	12,486	-	12,486
Due from other governments	162,690	-	162,690
	<u>\$ 9,037,127</u>	<u>\$ 517,059</u>	<u>\$ 9,554,186</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Cash overdraft	\$ 27,627	\$ -	\$ 27,627
Accounts payable	112,742	22,418	135,160
Salaries payable	16,904	-	16,904
Due to other funds	17,739	-	17,739
Due to other governments	221,803	-	221,803
Deferred revenue - unavailable	446,219	-	446,219
Deferred revenue - unearned	14,670	-	14,670
	<u>\$ 857,704</u>	<u>\$ 22,418</u>	<u>\$ 880,122</u>
 Fund Balances			
Unreserved			
Undesignated	8,179,423	494,641	8,674,064
	<u>\$ 9,037,127</u>	<u>\$ 517,059</u>	<u>\$ 9,554,186</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Special Revenue (Statement 4)	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 2,030,569	\$ -	\$ 2,030,569
Special assessments	430,728	-	430,728
Intergovernmental	532,661	-	532,661
Charges for services	743,955	-	743,955
Fines and forfeits	9,233	-	9,233
Gifts and contributions	500	-	500
Investment earnings	113,904	-	113,904
Miscellaneous	691,491	199,404	890,895
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 4,553,041	\$ 199,404	\$ 4,752,445
Expenditures			
Current			
General government	\$ 811,967	\$ -	\$ 811,967
Public safety	214,605	-	214,605
Highways and streets	512,552	-	512,552
Sanitation	845,088	-	845,088
Health	1,363	-	1,363
Culture and recreation	352,043	-	352,043
Conservation of natural resources	180,308	-	180,308
Intergovernmental			
Culture and recreation	242,400	-	242,400
Capital outlay	-	3,147,056	3,147,056
Debt service			
Principal	60,943	-	60,943
Interest	3,119	-	3,119
Administrative (fiscal) charges	730	-	730
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 3,225,118	\$ 3,147,056	\$ 6,372,174
Excess of Revenues Over (Under) Expenditures	\$ 1,327,923	\$ (2,947,652)	\$ (1,619,729)
Other Financing Sources (Uses)			
Transfers in	\$ 666,800	\$ 5,247,927	\$ 5,914,727
Transfers out	(3,261,644)	(189,463)	(3,451,107)
Proceeds from sale of capital assets	102,468	-	102,468
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	\$ (2,492,376)	\$ 5,058,464	\$ 2,566,088
Net Change in Fund Balances	\$ (1,164,453)	\$ 2,110,812	\$ 946,359
Fund Balances - January 1	9,343,876	(1,616,171)	7,727,705
	<hr/>	<hr/>	<hr/>
Fund Balances - December 31	\$ 8,179,423	\$ 494,641	\$ 8,674,064

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2005**

	<u>Capital Equipment</u>	<u>County Building</u>	<u>Ditch</u>	<u>Eagle Lake Sewer</u>
<u>Assets</u>				
Cash and pooled investments	\$ 2,132,417	\$ 3,034,412	\$ 376,048	\$ 339,581
Taxes receivable				
Prior	12,936	22,758	-	-
Special assessments receivable				
Prior	-	-	1,627	2,594
Noncurrent	-	-	271,425	124,692
Accounts receivable	-	-	641	-
Accrued interest receivable	14,314	-	1,859	3,503
Due from other funds	-	-	8,286	-
Due from other governments	-	-	71,496	-
Total Assets	<u>\$ 2,159,667</u>	<u>\$ 3,057,170</u>	<u>\$ 731,382</u>	<u>\$ 470,370</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	25,531	37,407	681
Salaries payable	-	-	-	128
Due to other funds	-	-	13,359	-
Due to other governments	-	-	6,618	629
Deferred revenue - unavailable	9,581	17,314	183,524	126,067
Deferred revenue - unearned	-	-	-	-
Total Liabilities	<u>\$ 9,581</u>	<u>\$ 42,845</u>	<u>\$ 240,908</u>	<u>\$ 127,505</u>
Fund Balances				
Unreserved				
Undesignated	2,150,086	3,014,325	490,474	342,865
Total Liabilities and Fund Balances	<u>\$ 2,159,667</u>	<u>\$ 3,057,170</u>	<u>\$ 731,382</u>	<u>\$ 470,370</u>

Statement 3

<u>Green Lake Sewer</u>	<u>County Library</u>	<u>DARE</u>	<u>Health and Human Services Building</u>	<u>Forfeited Tax Sale</u>	<u>Regional Treatment Center</u>	<u>Total (Statement 1)</u>
\$ 1,584,377	\$ 279,012	\$ 9,594	\$ 357,726	\$ 180,264	\$ -	\$ 8,293,431
-	4,441	-	2,253	-	-	42,388
3,727	-	-	-	-	-	7,948
101,250	-	-	-	-	-	497,367
500	-	-	-	-	-	1,141
-	-	-	-	-	-	19,676
-	2,200	2,000	-	-	-	12,486
73,948	-	275	16,971	-	-	162,690
<u>\$ 1,763,802</u>	<u>\$ 285,653</u>	<u>\$ 11,869</u>	<u>\$ 376,950</u>	<u>\$ 180,264</u>	<u>\$ -</u>	<u>\$ 9,037,127</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,627	\$ 27,627
30,925	3,816	-	5,452	-	8,930	112,742
8,930	1,887	-	5,959	-	-	16,904
72	1,000	-	3,308	-	-	17,739
4,726	6,925	1,416	21,225	180,264	-	221,803
104,606	3,375	-	1,752	-	-	446,219
-	-	-	14,670	-	-	14,670
<u>\$ 149,259</u>	<u>\$ 17,003</u>	<u>\$ 1,416</u>	<u>\$ 52,366</u>	<u>\$ 180,264</u>	<u>\$ 36,557</u>	<u>\$ 857,704</u>
1,614,543	268,650	10,453	324,584	-	(36,557)	8,179,423
<u>\$ 1,763,802</u>	<u>\$ 285,653</u>	<u>\$ 11,869</u>	<u>\$ 376,950</u>	<u>\$ 180,264</u>	<u>\$ -</u>	<u>\$ 9,037,127</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Capital Equipment	County Building	Ditch	Eagle Lake Sewer
Revenues				
Taxes	\$ 666,525	\$ 1,066,916	\$ -	\$ -
Special assessments	-	-	298,500	129,088
Intergovernmental	150,301	240,549	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Gifts and contributions	-	-	-	-
Investment earnings	70,446	33,842	3,948	5,668
Miscellaneous	-	22,459	-	-
Total Revenues	\$ 887,272	\$ 1,363,766	\$ 302,448	\$ 134,756
Expenditures				
Current				
General government	\$ 212,732	\$ 20,224	\$ -	\$ -
Public safety	188,092	9,653	-	-
Highways and streets	512,552	-	-	-
Sanitation	-	-	-	115,395
Health	1,363	-	-	-
Culture and recreation	-	196,320	-	-
Conservation of natural resources	-	-	180,308	-
Intergovernmental				
Culture and recreation	-	-	-	-
Debt service				
Principal	-	60,943	-	-
Interest	-	3,119	-	-
Administrative (fiscal) charges	-	500	-	-
Total Expenditures	\$ 914,739	\$ 290,759	\$ 180,308	\$ 115,395
Excess of Revenues Over (Under) Expenditures	\$ (27,467)	\$ 1,073,007	\$ 122,140	\$ 19,361
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(777,061)	(500,000)	-	-
Proceeds from sale of assets	-	-	-	-
Total Other Financing Sources (Uses)	\$ (777,061)	\$ (500,000)	\$ -	\$ -
Net Change in Fund Balances	\$ (804,528)	\$ 573,007	\$ 122,140	\$ 19,361
Fund Balances - January 1	2,954,614	2,441,318	368,334	323,504
Fund Balances - December 31	\$ 2,150,086	\$ 3,014,325	\$ 490,474	\$ 342,865

Statement 4

Green Lake Sewer	County Library	DARE	Health and Human Services Building	Forfeited Tax Sale	Regional Treatment Center	Total (Statement 2)
\$ -	\$ 199,462	\$ -	\$ 97,666	\$ -	\$ -	\$ 2,030,569
3,140	-	-	-	-	-	430,728
-	119,792	-	22,019	-	-	532,661
743,667	-	-	288	-	-	743,955
-	-	9,233	-	-	-	9,233
-	-	500	-	-	-	500
-	-	-	-	-	-	113,904
5,514	28,500	-	553,136	81,882	-	691,491
\$ 752,321	\$ 347,754	\$ 9,733	\$ 673,109	\$ 81,882	\$ -	\$ 4,553,041
\$ -	\$ -	\$ -	\$ 460,572	\$ 81,882	\$ 36,557	\$ 811,967
-	-	16,860	-	-	-	214,605
-	-	-	-	-	-	512,552
729,693	-	-	-	-	-	845,088
-	-	-	-	-	-	1,363
-	155,723	-	-	-	-	352,043
-	-	-	-	-	-	180,308
-	242,400	-	-	-	-	242,400
-	-	-	-	-	-	60,943
-	-	-	-	-	-	3,119
230	-	-	-	-	-	730
\$ 729,923	\$ 398,123	\$ 16,860	\$ 460,572	\$ 81,882	\$ 36,557	\$ 3,225,118
\$ 22,398	\$ (50,369)	\$ (7,127)	\$ 212,537	\$ -	\$ (36,557)	\$ 1,327,923
\$ -	\$ 166,800	\$ -	\$ 500,000	\$ -	\$ -	\$ 666,800
(813,770)	-	-	(1,170,813)	-	-	(3,261,644)
102,468	-	-	-	-	-	102,468
\$ (711,302)	\$ 166,800	\$ -	\$ (670,813)	\$ -	\$ -	\$ (2,492,376)
\$ (688,904)	\$ 116,431	\$ (7,127)	\$ (458,276)	\$ -	\$ (36,557)	\$ (1,164,453)
2,303,447	152,219	17,580	782,860	-	-	9,343,876
\$ 1,614,543	\$ 268,650	\$ 10,453	\$ 324,584	\$ -	\$ (36,557)	\$ 8,179,423

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 667,771	\$ 667,771	\$ 666,525	\$ (1,246)
Intergovernmental	148,829	148,829	150,301	1,472
Investment earnings	-	-	70,446	70,446
Total Revenues	\$ 816,600	\$ 816,600	\$ 887,272	\$ 70,672
Expenditures				
Current				
General government	\$ -	\$ -	\$ 212,732	\$ (212,732)
Public safety	-	-	188,092	(188,092)
Highways and streets	-	-	512,552	(512,552)
Health	-	-	1,363	(1,363)
Total Expenditures	\$ -	\$ -	\$ 914,739	\$ (914,739)
Excess of Revenues Over (Under) Expenditures	\$ 816,600	\$ 816,600	\$ (27,467)	\$ (844,067)
Other Financing Sources (Uses)				
Transfers out	-	-	(777,061)	(777,061)
Net Change in Fund Balance	\$ 816,600	\$ 816,600	\$ (804,528)	\$ (1,621,128)
Fund Balance - January 1	2,954,614	2,954,614	2,954,614	-
Fund Balance - December 31	\$ 3,771,214	\$ 3,771,214	\$ 2,150,086	\$ (1,621,128)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,068,513	\$ 1,068,513	\$ 1,066,916	\$ (1,597)
Intergovernmental	238,487	238,487	240,549	2,062
Investment earnings	-	-	33,842	33,842
Miscellaneous	-	-	22,459	22,459
Total Revenues	\$ 1,307,000	\$ 1,307,000	\$ 1,363,766	\$ 56,766
Expenditures				
Current				
General government	\$ 260,000	\$ 260,000	\$ 20,224	\$ 239,776
Public safety	200,000	200,000	9,653	190,347
Culture and recreation	347,000	347,000	196,320	150,680
Debt service				
Principal	-	-	60,943	(60,943)
Interest	-	-	3,119	(3,119)
Administrative (fiscal) charges	-	-	500	(500)
Total Expenditures	\$ 807,000	\$ 807,000	\$ 290,759	\$ 516,241
Excess of Revenues Over (Under) Expenditures	\$ 500,000	\$ 500,000	\$ 1,073,007	\$ 573,007
Other Financing Sources (Uses)				
Transfers out	(500,000)	(500,000)	(500,000)	-
Net Change in Fund Balance	\$ -	\$ -	\$ 573,007	\$ 573,007
Fund Balance - January 1	2,441,318	2,441,318	2,441,318	-
Fund Balance - December 31	\$ 2,441,318	\$ 2,441,318	\$ 3,014,325	\$ 573,007

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
GREEN LAKE SEWER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ -	\$ -	\$ 3,140	\$ 3,140
Charges for services	724,500	724,500	743,667	19,167
Miscellaneous	5,000	5,000	5,514	514
Total Revenues	\$ 729,500	\$ 729,500	\$ 752,321	\$ 22,821
Expenditures				
Current				
Sanitation	\$ 719,100	\$ 719,100	\$ 729,693	\$ (10,593)
Debt service				
Administrative (fiscal) charges	-	-	230	(230)
Total Expenditures	\$ 719,100	\$ 719,100	\$ 729,923	\$ (10,823)
Excess of Revenues Over (Under) Expenditures	\$ 10,400	\$ 10,400	\$ 22,398	\$ 11,998
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (813,770)	\$ (813,770)
Proceeds from sale of assets	-	-	102,468	102,468
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (711,302)	\$ (711,302)
Net Change in Fund Balance	\$ 10,400	\$ 10,400	\$ (688,904)	\$ (699,304)
Fund Balance - January 1	2,303,447	2,303,447	2,303,447	-
Fund Balance - December 31	\$ 2,313,847	\$ 2,313,847	\$ 1,614,543	\$ (699,304)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
COUNTY LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 199,581	\$ 199,581	\$ 199,462	\$ (119)
Intergovernmental	126,639	126,639	119,792	(6,847)
Miscellaneous	27,100	27,100	28,500	1,400
Total Revenues	\$ 353,320	\$ 353,320	\$ 347,754	\$ (5,566)
Expenditures				
Current				
Culture and recreation	\$ 166,800	\$ 166,800	\$ 155,723	\$ 11,077
Intergovernmental				
Culture and recreation	242,400	242,400	242,400	-
Total Expenditures	\$ 409,200	\$ 409,200	\$ 398,123	\$ 11,077
Excess of Revenues Over (Under) Expenditures	\$ (55,880)	\$ (55,880)	\$ (50,369)	\$ 5,511
Other Financing Sources (Uses)				
Transfers in	-	-	166,800	166,800
Net Change in Fund Balance	\$ (55,880)	\$ (55,880)	\$ 116,431	\$ 172,311
Fund Balance - January 1	152,219	152,219	152,219	-
Fund Balance - December 31	\$ 96,339	\$ 96,339	\$ 268,650	\$ 172,311

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 97,670	\$ 97,670	\$ 97,666	\$ (4)
Intergovernmental	21,830	21,830	22,019	189
Charges for services	-	-	288	288
Miscellaneous	575,000	575,000	553,136	(21,864)
Total Revenues	\$ 694,500	\$ 694,500	\$ 673,109	\$ (21,391)
Expenditures				
Current				
General government	431,500	431,500	460,572	(29,072)
Excess of Revenues Over (Under) Expenditures	\$ 263,000	\$ 263,000	\$ 212,537	\$ (50,463)
Other Financing Sources (Uses)				
Transfers in	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Transfers out	-	-	(1,170,813)	(1,170,813)
Total Other Financing Sources (Uses)	\$ 500,000	\$ 500,000	\$ (670,813)	\$ (1,170,813)
Net Change in Fund Balance	\$ 763,000	\$ 763,000	\$ (458,276)	\$ (1,221,276)
Fund Balance - January 1	782,860	782,860	782,860	-
Fund Balance - December 31	\$ 1,545,860	\$ 1,545,860	\$ 324,584	\$ (1,221,276)

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

AGENCY FUNDS

Agency funds account for assets held in a custodial capacity for others and/or other funds.

Buffalo Creek Watershed Fund - to account for collections and payments to the Buffalo Creek Watershed.

Current School Fund - to account for the collection of taxes and penalties and their distribution to the various school districts.

Deed Tax Fund - to account for the collection and distribution of deed tax.

Game and Fish Fund - to account for the County sales of game and fish licenses.

Mortgage Registry Tax Fund - to account for the collection of mortgage registry tax and its distribution to the various other funds and governmental units.

North Fork Crow River Watershed Fund - to account for collections and payments to the North Fork Crow River Watershed.

County-Wide Levy Fund - to account for the collection and payment of funds to the Mid-Minnesota Development Commission, Rural Development Finance Authority, and the Housing and Redevelopment Authority. Financing is provided by property taxes authorized by the County Board.

State Agency Fund - to account for the collection and distribution of various funds to the state.

Taxes and Penalties Fund - to account for the collection of taxes and penalties and their distribution to the various funds and governmental units.

Towns and Cities Fund - to account for the collections made by the County on behalf of the towns and cities and the subsequent distributions.

Putting All Communities Together (PACT) 4 Families Fund - to account for the funds collected from a collaborative of counties, school districts, and other member agencies which are used for family service purposes.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

AGENCY FUNDS
(Continued)

Kandiyohi County/City of Willmar EDC - to account for the funds collected from the Rural Development Finance Authority.

Coordinated Enforcement Effort (CEE) VI Task Force Fund - to account for the financial and payroll affairs of the CEE VI Drug Task Force under an agreement between the County and the CEE VI Task Force.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Statement 5

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>BUFFALO CREEK WATERSHED</u>				
<u>Assets</u>				
Cash and investments	\$ <u>2</u>	\$ <u>940</u>	\$ <u>924</u>	\$ <u>18</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>2</u>	\$ <u>940</u>	\$ <u>924</u>	\$ <u>18</u>
 <u>CURRENT SCHOOL</u>				
<u>Assets</u>				
Cash and investments	\$ <u>198,490</u>	\$ <u>8,440,878</u>	\$ <u>8,480,260</u>	\$ <u>159,108</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>198,490</u>	\$ <u>8,440,878</u>	\$ <u>8,480,260</u>	\$ <u>159,108</u>
 <u>DEED TAX</u>				
<u>Assets</u>				
Cash and investments	\$ <u>44,830</u>	\$ <u>641,004</u>	\$ <u>634,678</u>	\$ <u>51,156</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>44,830</u>	\$ <u>641,004</u>	\$ <u>634,678</u>	\$ <u>51,156</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Statement 5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GAME AND FISH</u>				
<u>Assets</u>				
Cash and investments	\$ 2,913	\$ 21,780	\$ 21,627	\$ 3,066
<u>Liabilities</u>				
Due to other governments	\$ 2,913	\$ 21,780	\$ 21,627	\$ 3,066
 <u>MORTGAGE REGISTRY TAX</u>				
<u>Assets</u>				
Cash and investments	\$ 74,262	\$ 907,238	\$ 908,213	\$ 73,287
<u>Liabilities</u>				
Due to other governments	\$ 74,262	\$ 907,238	\$ 908,213	\$ 73,287
 <u>NORTH FORK CROW RIVER WATERSHED</u>				
<u>Assets</u>				
Cash and investments	\$ 723	\$ 13,695	\$ 51,637	\$ (37,219)
Due from other governments	-	37,623	-	37,623
Total Assets	\$ 723	\$ 51,318	\$ 51,637	\$ 404
<u>Liabilities</u>				
Due to other governments	\$ 723	\$ 51,318	\$ 51,637	\$ 404

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Statement 5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>COUNTY-WIDE LEVY</u>				
<u>Assets</u>				
Cash and investments	\$ 15,133	\$ 567,132	\$ 567,638	\$ 14,627
Taxes receivable - delinquent	1,647	965	1,647	965
Total Assets	<u>\$ 16,780</u>	<u>\$ 568,097</u>	<u>\$ 569,285</u>	<u>\$ 15,592</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 16,780</u>	<u>\$ 568,097</u>	<u>\$ 569,285</u>	<u>\$ 15,592</u>
 <u>STATE AGENCY</u>				
<u>Assets</u>				
Cash and investments	<u>\$ 206,456</u>	<u>\$ 13,188,630</u>	<u>\$ 13,169,114</u>	<u>\$ 225,972</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 206,456</u>	<u>\$ 13,188,630</u>	<u>\$ 13,169,114</u>	<u>\$ 225,972</u>
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and investments	\$ 210,422	\$ 45,207,508	\$ 45,144,747	\$ 273,183
Accrued interest receivable	679	1,862	679	1,862
Total Assets	<u>\$ 211,101</u>	<u>\$ 45,209,370</u>	<u>\$ 45,145,426</u>	<u>\$ 275,045</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 211,101</u>	<u>\$ 45,209,370</u>	<u>\$ 45,145,426</u>	<u>\$ 275,045</u>

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Statement 5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and investments	\$ 156,068	\$ 7,730,605	\$ 7,744,923	\$ 141,750
<u>Liabilities</u>				
Due to other governments	\$ 156,068	\$ 7,730,605	\$ 7,744,923	\$ 141,750
 <u>PACT 4 FAMILIES</u>				
<u>Assets</u>				
Cash and investments	\$ 7,897,654	\$ 6,670,502	\$ 9,569,101	\$ 4,999,055
Due from other funds	87,056	259,216	87,056	259,216
Due from other governments	1,237,857	-	1,237,857	-
Total Assets	\$ 9,222,567	\$ 6,929,718	\$ 10,894,014	\$ 5,258,271
<u>Liabilities</u>				
Accounts payable	\$ 37,074	\$ -	\$ 37,074	\$ -
Salaries payable	46,652	-	46,652	-
Due to other governments	9,138,841	6,929,718	10,810,288	5,258,271
Total Liabilities	\$ 9,222,567	\$ 6,929,718	\$ 10,894,014	\$ 5,258,271
 <u>KANDIYOHI COUNTY/CITY OF WILLMAR EDC</u>				
<u>Assets</u>				
Cash and investments	\$ 167,294	\$ 419,238	\$ 411,735	\$ 174,797
<u>Liabilities</u>				
Due to other governments	\$ 167,294	\$ 419,238	\$ 411,735	\$ 174,797

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Statement 5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CEE VI TASK FORCE</u>				
<u>Assets</u>				
Cash and investments	\$ 263,573	\$ 409,159	\$ 463,555	\$ 209,177
Due from other governments	23,386	20,572	23,386	20,572
Total Assets	<u>\$ 286,959</u>	<u>\$ 429,731</u>	<u>\$ 486,941</u>	<u>\$ 229,749</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,582	\$ 529	\$ 1,582	\$ 529
Due to other governments	285,377	429,202	485,359	229,220
Total Liabilities	<u>\$ 286,959</u>	<u>\$ 429,731</u>	<u>\$ 486,941</u>	<u>\$ 229,749</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 9,237,820	\$ 84,218,309	\$ 87,168,152	\$ 6,287,977
Taxes receivable - delinquent	1,647	965	1,647	965
Accrued interest receivable	679	1,862	679	1,862
Due from other funds	87,056	259,216	87,056	259,216
Due from other governments	1,261,243	58,195	1,261,243	58,195
Total Assets	<u>\$ 10,588,445</u>	<u>\$ 84,538,547</u>	<u>\$ 88,518,777</u>	<u>\$ 6,608,215</u>
<u>Liabilities</u>				
Accounts payable	\$ 38,656	\$ 529	\$ 38,656	\$ 529
Salaries payable	46,652	-	46,652	-
Due to other governments	10,503,137	84,538,018	88,433,469	6,607,686
Total Liabilities	<u>\$ 10,588,445</u>	<u>\$ 84,538,547</u>	<u>\$ 88,518,777</u>	<u>\$ 6,608,215</u>

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OTHER SCHEDULES

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 10

TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS

	2004		2005		2006	
	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)
Tax Capacity						
Real property	\$ 25,097,854		\$ 28,553,836		\$ 32,502,347	
Personal property	709,788		769,916		817,164	
Less: tax increment	(317,260)		(303,358)		(324,070)	
Net Tax Capacity	\$ 25,490,382		\$ 29,020,394		\$ 32,995,441	
Taxes Levied for County Purposes						
General	\$ 10,039,238	36.162	\$ 10,272,077	32.069	\$ 10,615,000	29.358
Road and Bridge	2,400,000	8.645	2,900,000	9.054	3,200,000	8.851
Human Services	5,333,068	19.210	5,333,000	16.650	5,599,700	15.488
Health and Human Services	110,000	0.397	119,500	0.374	140,350	0.389
County Building	1,443,000	5.198	1,307,000	4.081	1,332,500	3.686
County Library*	226,500	1.186	242,400	1.096	278,000	1.092
Building Bonds Sinking	1,508,000	5.432	1,508,200	4.709	1,508,200	4.168
Capital Equipment	800,000	2.882	816,600	2.550	816,600	2.259
Rural Development Finance Authority	10,000	0.040	1,000	0.004	-	-
Kandiyohi Area Transit	6,000	0.024	6,000	0.021	9,000	0.028
Total Levy for County Purposes	\$ 21,875,806	79.176	\$ 22,505,777	70.608	\$ 23,499,350	65.319
Less Aids Payable by State**	(1,788,664)		(2,115,017)		(2,073,713)	
Net Levy for County Purposes	\$ 20,087,142		\$ 20,390,760		\$ 21,425,637	
Tax Capacity - Light and Power						
Assessed at 43%	\$ 21,226		\$ 22,028		\$ 21,760	
Assessed at 5%	2,523		2,784		2,637	
Total Tax Capacity - Light and Power	\$ 23,749		\$ 24,812		\$ 24,397	
Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)						
Assessed at 43%	\$ 27,505	129.584	\$ 25,970	117.896	\$ 24,021	110.393
Assessed at 5%	3,269	129.584	3,282	117.896	2,911	110.393
Total Light and Power Tax Levies	\$ 30,774		\$ 29,252		\$ 26,932	

*Levies not applicable to properties within the City of Willmar.

**2006 aids payable by state are estimated.

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

***Schedule 10
(Continued)***

TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS

	2004		2005		2006	
	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)	Amount	Net Tax Capacity Rates (%)
Special Assessments						
Ditch liens and assessments	<u>\$ 80,318</u>		<u>\$ 125,747</u>		<u>\$ 77,419</u>	
Sewer systems liens and assessments	<u>\$ 1,328,003</u>		<u>\$ 1,318,095</u>		<u>\$ 1,320,734</u>	
Sanitary landfill liens and assessments	<u>\$ 843,265</u>		<u>\$ 854,508</u>		<u>\$ 864,838</u>	
Percentage of Collections for All Purposes	98.57%		98.51%			

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 11

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2005**

	<u>Maturities</u>	<u>Rates</u>	<u>Amount</u>
Pooled Deposits and Investments			
Checking accounts			
Bremer Bank of Willmar		0.15%	\$ 923,701
US Bank of Willmar		0.10%	578,927
EDC - Bremer Bank		0.00%	80,519
Total checking accounts			\$ 1,583,147
Savings accounts			
Atwater State Bank		1.00%	\$ 47,121
Heritage Bank, Raymond		0.50%	14,529
First State Bank of Lake Lillian		0.75%	98,175
Heritage Bank, Willmar		0.00%	94,278
Home State Bank		0.30%	61,337
Lake Region Bank		0.65%	8,151
Prinsburg State Bank		0.50%	19,329
Concorde Bank		0.79%	57,742
United Minnesota Bank		0.50%	20,911
United Prairie Bank		0.50%	87,405
Wells Fargo		0.85%	27,027,583
Total savings accounts			\$ 27,536,561
Certificates of deposit			
Bremer Bank of Willmar	February 20, 2006	3.57%	\$ 500,000
Bank of the West of Worthington	February 27, 2006	2.81%	2,000,000
Total certificates of deposit			\$ 2,500,000
Repurchase agreement			
Bremer Bank of Willmar		1.00%	\$ 1,270,781
U.S. government securities			
Morgan Keegan	June 5, 2009	2.25%	\$ 490,780
Morgan Keegan	July 27, 2007	4.50%	696,500
Total U.S. government securities			\$ 1,187,280
MAGIC Fund			
Cadre Financial Services		Various	\$ 3,501,122
Total pooled deposits and investments			\$ 37,578,891

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

***Schedule 11
(Continued)***

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2005**

	<u>Maturities</u>	<u>Rates</u>	<u>Amount</u>
Fund Deposits and Investments			
General Fund			
Certificates of deposit			
Atwater State Bank	January 10, 2006	1.85%	\$ 100,778
Heritage Bank of Willmar	Various	0.75% to 2.50%	304,700
Home State Bank - Willmar	July 16, 2009	1.75%	200,000
Bremer Bank	Various	2.55% to 4.00%	<u>35,844</u>
Total certificates of deposit			\$ 641,322
U.S. government securities			
Morgan Keegan	Various	2.50% to 6.00%	<u>\$ 2,262,048</u>
Total General Fund			\$ 2,903,370
Road and Bridge Special Revenue Fund			
Certificates of deposit			
Concorde Bank	March 27, 2006	2.50%	<u>\$ 100,000</u>
U.S. government securities			
Milestone Financial Services	May 25, 2018	5.00%	\$ 1,913,760
Morgan Keegan	Various	3.35% to 6.00%	<u>307,262</u>
Total U.S. government securities			\$ 2,221,022
Total Road and Bridge Special Revenue Fund			\$ 2,321,022
County Building Special Revenue Fund			
U.S. government securities			
Morgan Keegan	June 30, 2009	2.00%	<u>\$ 146,203</u>
Capital Equipment Special Revenue Fund			
U.S. government securities			
Milestone Financial Services	Various	2.50% to 3.00%	<u>\$ 1,988,590</u>
Ditch Special Revenue Fund			
Certificates of deposit			
United Prairie Bank	March 20, 2006	3.75%	<u>\$ 175,000</u>
Eagle Lake Sewer Special Revenue Fund			
Certificates of deposit			
Bremer Bank of Willmar	Various	2.73% to 3.95%	\$ 62,868
United Prairie Bank	April 9, 2006	2.75%	<u>132,453</u>
Total Eagle Lake Sewer Special Revenue Fund			\$ 195,321

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

*Schedule 11
(Continued)*

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2005**

	<u>Maturities</u>	<u>Rates</u>	<u>Amount</u>
Fund Deposits and Investments (Continued)			
Sanitary Landfill/Recycling Center			
Special Revenue Fund			
U.S. government securities			
Milestone Financial Services	Various	2.00% to 3.00%	\$ 7,897,340
Morgan Keegan	Various	2.35% to 7.00%	1,753,552
Wachovia Securities	Various	2.75% to 4.00%	438,521
Total U.S. government securities			\$ 10,089,413
County Cemetery Investment Trust Fund			
Certificates of deposit			
Bremer Bank of Willmar	December 28, 2006	4.00%	\$ 25,000
Taxes and Penalties Agency Fund			
Certificates of deposit			
Bremer Bank of Willmar	Various	2.30% to 4.25%	\$ 112,995
Total Fund Deposits and Investments			\$ 17,956,914
Total Deposits and Investments			\$ 55,535,805

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2005**

	Assets					
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable		Receivables	Due from Other Funds
			Delinquent	Deferred		
County Ditches						
#7	\$ 1,325	\$ -	\$ -	\$ -	\$ -	\$ -
#7 Rep D	7,651	-	-	-	-	-
#8	3,340	-	-	-	-	-
#8A	93	-	-	-	-	-
#8 Lat A	593	-	-	-	-	-
#8 Lat B	19	-	-	-	-	-
#9	3,507	-	1	-	-	-
#9 Lat 1 Br A	23,055	-	-	-	-	-
#10 Impr C	(181)	-	-	3,842	36	651
#12	145	-	-	-	-	-
#15	(373)	-	-	929	-	-
#16A	(3,003)	-	-	2,998	-	318
#18A	2,184	-	-	-	-	-
#19	(51,372)	-	39	27,070	5	190
#20	1,726	-	-	-	-	-
#23A	5,671	-	49	-	-	-
#23A, Main & Br 1 Relocate	(22,668)	-	-	-	-	-
#24A	(15,037)	-	2	9,850	-	781
#24A Lat G	(500)	-	-	932	9	52
#24A Lat H	1,463	-	-	-	-	-
#24A Lat H-1	642	-	-	-	-	-
#24A Lat J	1,420	-	-	-	-	-
#26	977	-	-	-	-	-
#27	9,038	-	-	-	-	-
#28	95,542	-	-	-	-	-
#28 Impr Br 7	2,513	-	-	-	-	-
#28 Lat A Br 4	7,678	-	-	-	-	-
#28 Impr Br 5	119	-	-	-	-	-
#29	(5,418)	-	-	7,290	-	110
#31 Impr	135,315	126,328	-	-	-	-
#31 Lat A of Br 10 of Lat 10	633	-	-	-	-	-
#31 Lat A of Br 2 of Lat 10	12,870	-	-	-	-	-
#34	280	-	6	-	-	-
#37	(2,022)	-	194	4,982	-	5
#38	775	-	-	-	-	-
#40	305	-	-	587	-	-
#42	155	-	-	-	-	-
#43	45	-	-	-	-	-
#45	191	-	-	-	-	-
#46	(2,521)	-	-	952	10	54
#47	12,888	-	-	-	-	-
#48	1,743	-	-	-	-	-
#50	901	-	-	-	-	-
#51	(1,796)	-	-	5,492	-	59
#51 Lat A-1	(7,593)	-	-	5,274	-	487
#52	(23,909)	-	-	26,176	-	1,315

Schedule 12

	Due from Other Governments	Total Assets	Liabilities				Fund Balances - Unreserved Undesignated	Total Liabilities and Fund Balances
			Payables	Due to Other Funds	Deferred Revenue	Total Liabilities		
\$	-	\$ 1,325	\$ -	\$ -	\$ -	\$ -	\$ 1,325	\$ 1,325
	-	7,651	-	-	-	-	7,651	7,651
	-	3,340	-	-	-	-	3,340	3,340
	-	93	-	-	-	-	93	93
	-	593	-	-	-	-	593	593
	-	19	-	-	-	-	19	19
	-	3,508	-	-	-	-	3,508	3,508
	-	23,055	-	-	-	-	23,055	23,055
	4,104	8,452	-	497	1,049	1,546	6,906	8,452
	-	145	-	-	-	-	145	145
	-	556	-	490	149	639	(83)	556
	497	810	-	-	1,431	1,431	(621)	810
	-	2,184	-	-	-	-	2,184	2,184
	664	(23,404)	-	-	14,319	14,319	(37,723)	(23,404)
	-	1,726	-	-	-	-	1,726	1,726
	-	5,720	-	372	19	391	5,329	5,720
	-	(22,668)	-	-	-	-	(22,668)	(22,668)
	1,891	(2,513)	53	-	9,852	9,905	(12,418)	(2,513)
	57	550	-	-	489	489	61	550
	-	1,463	-	-	-	-	1,463	1,463
	-	642	-	-	-	-	642	642
	-	1,420	-	-	-	-	1,420	1,420
	-	977	-	-	-	-	977	977
	-	9,038	-	350	-	350	8,688	9,038
	-	95,542	-	1,045	-	1,045	94,497	95,542
	-	2,513	-	-	-	-	2,513	2,513
	-	7,678	-	-	-	-	7,678	7,678
	-	119	-	-	-	-	119	119
	172	2,154	-	350	1,403	1,753	401	2,154
	-	261,643	-	3,883	-	3,883	257,760	261,643
	-	633	-	-	-	-	633	633
	-	12,870	-	-	-	-	12,870	12,870
	-	286	-	-	6	6	280	286
	88	3,247	-	560	1,605	2,165	1,082	3,247
	-	775	20,015	-	-	20,015	(19,240)	775
	20	912	-	785	290	1,075	(163)	912
	-	155	-	-	-	-	155	155
	-	45	-	-	-	-	45	45
	-	191	-	-	-	-	191	191
	5,041	3,536	-	377	225	602	2,934	3,536
	-	12,888	-	-	-	-	12,888	12,888
	-	1,743	-	-	-	-	1,743	1,743
	-	901	-	-	-	-	901	901
	96	3,851	-	-	2,249	2,249	1,602	3,851
	278	(1,554)	-	-	1,777	1,777	(3,331)	(1,554)
	832	4,414	-	-	4,276	4,276	138	4,414

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2005**

	Assets					Due from Other Funds
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable		Receivables	
			Delinquent	Deferred		
County Ditches (Continued)						
#54	487	-	-	-	-	-
#54 Impr	20,898	-	-	5,986	-	-
#55	(6,945)	-	1,196	6,118	418	27
#56 Outlet	831	-	-	-	-	-
#58	(1,361)	-	-	2,391	6	74
#60	1,661	-	-	-	-	-
#61	743	-	-	-	-	-
#62	796	-	-	-	-	-
#63	(490)	-	-	2,526	-	87
#64	12,961	-	-	-	-	-
#65	4,228	-	-	-	-	-
State Ditch						
#1 Impr Div 2	(70)	-	-	230	-	12
Judicial Ditches						
#1 M & K	7,755	-	-	-	-	-
#1 Lat A, M & K	(19)	-	-	887	-	2
#1 Lat M & K	(59,791)	-	-	104,419	-	-
#1 Lat B, M & K	5,152	-	-	-	-	-
#1 Lat A of Lat B, M & K	9,608	-	-	-	-	-
#1 Br 4 of Lat B, M & K	1,744	-	-	-	-	-
#1 Lat C, M & K	338	-	-	-	-	-
#1 Lat D, M & K	597	-	-	-	-	-
#1 Lat E, M & K	1,093	-	-	-	-	-
#1 Br 2 of Lat F, M & K	(2,744)	-	-	5,385	-	464
#1 Lat G, M & K	3,541	-	-	-	-	-
#2 R & K	(272)	-	-	1,571	-	38
#2 Lat 3, R & K	800	-	-	-	-	-
#2 Lat 4, R & K	261	-	-	-	-	-
#2 Lat A of Lat 4, R & K	452	-	-	-	-	-
#2 Lat 5, R & K	(564)	-	-	1,414	-	275
#2 Lat 7, R & K	78	-	-	-	-	-
#2 Lat 8, R & K	959	-	-	-	-	-
#2 C & K	1,792	-	-	-	-	-
#2 St & K	211	-	-	-	-	-
#3 K & C	(3,522)	-	-	-	-	-
#3 Lat B, K & C	862	-	-	-	-	-
#3 Lat A of Lat B, K & C	1,694	-	-	-	-	-
#3 Lat C, C & K	184	-	-	-	-	-
#3 Lat D, C & K	38,529	50,531	-	-	-	-
#3 Impr Br 5 & 6, C & K	2,686	-	-	-	-	-
#3 Impr Br 7 & 8, C & K	672	-	-	-	-	-
#3 Impr Br 9, C & K	1,856	-	-	-	-	-
#3 Impr Br 10, C & K	213	-	-	-	-	-
#3 Br 10 of Lat A, C & K	(174)	-	-	638	-	19

Schedule 12
(Continued)

Due from Other Governments	Total Assets	Liabilities				Fund Balances - Unreserved Undesignated	Total Liabilities and Fund Balances
		Payables	Due to Other Funds	Deferred Revenue	Total Liabilities		
-	487	-	-	-	-	487	487
-	26,884	-	-	5,986	5,986	20,898	26,884
1,386	2,200	46	-	6,702	6,748	(4,548)	2,200
-	831	-	-	-	-	831	831
188	1,298	-	-	1,097	1,097	201	1,298
-	1,661	-	-	-	-	1,661	1,661
-	743	-	-	-	-	743	743
-	796	-	-	-	-	796	796
92	2,215	-	-	625	625	1,590	2,215
-	12,961	1,404	2,823	-	4,227	8,734	12,961
-	4,228	69	1,077	-	1,146	3,082	4,228
2	174	-	-	84	84	90	174
1,766	9,521	50	100	-	150	9,371	9,521
93	963	-	250	260	510	453	963
-	44,628	-	-	104,419	104,419	(59,791)	44,628
130	5,282	-	-	-	-	5,282	5,282
-	9,608	-	-	-	-	9,608	9,608
-	1,744	-	-	-	-	1,744	1,744
-	338	-	-	-	-	338	338
-	597	-	-	-	-	597	597
-	1,093	-	-	-	-	1,093	1,093
347	3,452	-	-	1,522	1,522	1,930	3,452
-	3,541	-	-	-	-	3,541	3,541
997	2,334	3,480	-	1,013	4,493	(2,159)	2,334
-	800	10,804	-	-	10,804	(10,004)	800
99	360	-	-	-	-	360	360
-	452	-	-	-	-	452	452
7	1,132	-	-	697	697	435	1,132
-	78	-	-	-	-	78	78
-	959	-	-	-	-	959	959
759	2,551	-	-	-	-	2,551	2,551
-	211	-	-	-	-	211	211
-	(3,522)	-	-	-	-	(3,522)	(3,522)
-	862	-	-	-	-	862	862
-	1,694	-	-	-	-	1,694	1,694
-	184	-	-	-	-	184	184
115	89,175	4,954	-	-	4,954	84,221	89,175
-	2,686	-	-	-	-	2,686	2,686
-	672	-	-	-	-	672	672
-	1,856	-	-	-	-	1,856	1,856
-	213	-	-	-	-	213	213
135	618	-	-	35	35	583	618

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

**DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2005**

	Assets					Due from Other Funds
	Treasurer's Cash Balance	Investments and Accrued Interest	Special Assessments Receivable		Receivables	
			Delinquent	Deferred		
Judicial Ditches (Continued)						
#3 St & K	(88)	-	-	1,507	-	-
#3 Rep A, St & K	2,047	-	-	-	-	-
#7 C, K & R (& Rep F)	(49,148)	-	69	22,773	157	2,654
#7 Lat A, C, K & R	4,252	-	-	-	-	-
#7 Lat B, C, K & R	2,684	-	-	-	-	-
#7 Lat E, C, K & R	484	-	-	-	-	-
#10 R & K	225	-	-	-	-	-
#11 K & M	567	-	-	-	-	-
#16 R & K	(23,073)	-	-	16,843	-	561
#17 M & K	2,146	-	-	-	-	-
#17 Rep A, M & K	4,521	-	-	-	-	-
#17 Br 4 of Lat A, M & K	545	-	-	-	-	-
#17 Br 4 of Lat B, M & K	7,192	-	-	-	-	-
#18 Sw, K & C	1,712	-	13	-	-	-
#18 M & K	(578)	-	-	704	-	-
#18 Lat A, M & K	85	-	-	-	-	-
#18 Lat C, M & K	(161)	-	-	1,659	-	51
#19 Sw & K	42	-	-	-	-	-
#21 R, C & K	435	-	-	-	-	-
#21 Sw, K & C	910	-	58	-	-	-
#29 Rep B, R, M & K	110	-	-	-	-	-
Total	\$ 201,048	\$ 176,859	\$ 1,627	\$ 271,425	\$ 641	\$ 8,286

Schedule 12
(Continued)

Due from Other Governments	Total Assets	Liabilities				Fund Balances - Unreserved Undesignated	Total Liabilities and Fund Balances
		Payables	Due to Other Funds	Deferred Revenue	Total Liabilities		
319	1,738	-	400	930	1,330	408	1,738
-	2,047	-	-	-	-	2,047	2,047
43,107	19,612	96	-	8,636	8,732	10,880	19,612
157	4,409	-	-	-	-	4,409	4,409
305	2,989	-	-	-	-	2,989	2,989
-	484	-	-	-	-	484	484
-	225	-	-	-	-	225	225
114	681	-	-	-	-	681	681
6,727	1,058	3,051	-	11,123	14,174	(13,116)	1,058
-	2,146	-	-	-	-	2,146	2,146
-	4,521	-	-	-	-	4,521	4,521
-	545	-	-	-	-	545	545
-	7,192	-	-	-	-	7,192	7,192
-	1,725	-	-	13	13	1,712	1,725
530	656	-	-	212	212	444	656
362	447	-	-	-	-	447	447
19	1,568	-	-	973	973	595	1,568
-	42	-	-	-	-	42	42
-	435	-	-	-	-	435	435
-	968	-	-	58	58	910	968
-	110	3	-	-	3	107	110
\$ 71,496	\$ 731,382	\$ 44,025	\$ 13,359	\$ 183,524	\$ 240,908	\$ 490,474	\$ 731,382

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 13

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Total Primary Government	Housing and Redevelopment Authority Component Unit
Shared Revenue		
State		
Highway users tax	\$ 7,593,182	\$ -
County program aid	2,115,015	-
Market value credit	1,968,506	-
PERA rate reimbursement	73,608	-
Disparity reduction aid	21,491	-
Police aid	173,851	-
State financing revenue	51,043	-
Enhanced 911	94,895	-
	\$ 12,091,591	\$ -
Total Shared Revenue		
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 2,889,576	\$ -
	\$ 2,889,576	\$ -
Payments		
Local		
Payments in lieu of taxes	\$ 128,294	\$ -
Other	742	-
	\$ 129,036	\$ -
Total Payments		
Grants		
State		
Minnesota Department of		
Education	\$ 188,396	\$ -
Corrections	760,316	-
Public Safety	13,378	-
Health	139,695	-
Natural Resources	53,658	-
Human Services	1,642,424	-
Board of Water and Soil Resources	61,382	-
Office of Environmental Assistance	93,722	-
Pollution Control Agency	5,333	-
	\$ 2,958,304	\$ -
Total State		

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

***Schedule 13
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Total Primary Government	Housing and Redevelopment Authority Component Unit
Grants (Continued)		
Federal		
Department of		
Agriculture	\$ 231,463	\$ -
Housing and Urban Development	15,000	1,192,566
Justice	42,406	-
Labor	46,942	-
Transportation	6,494	-
Environmental Protection	22,568	-
Health and Human Services	2,151,179	-
Homeland Security	69,674	-
	\$ 2,585,726	\$ 1,192,566
Total Federal	\$ 2,585,726	\$ 1,192,566
Total State and Federal Grants	\$ 5,544,030	\$ 1,192,566
Total Intergovernmental Revenue	\$ 20,654,233	\$ 1,192,566

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 14

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of Kandiyohi County.
- B. Reportable conditions in internal control were disclosed by the audit of financial statements of Kandiyohi County and are reported in the "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*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Kandiyohi County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Kandiyohi County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- | | |
|---|--------------|
| Child Care Mandatory and Matching Funds | |
| of the Child Care and Development Fund | CFDA #93.596 |
| Foster Care Title IV-E | CFDA #93.658 |
| Social Services Block Grant Title XX | CFDA #93.667 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Kandiyohi County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-8 Departmental Internal Accounting Control

Due to the limited number of office personnel within several County offices, segregation of accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Kandiyohi County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting control point of view.

Control procedures which the County should consider include management's determination that:

- employees are submitting financial reports currently,
- financial records are maintained currently, and
- financial reports to the County Auditor/Treasurer and other governmental units are being reviewed for reasonableness and that they agree with cash.

We recommend Kandiyohi County's management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff.

Client's Response:

The County is aware of the lack of segregation of accounting functions in several County offices because of limited office personnel. The County Auditor/Treasurer will continually oversee procedures to ensure that the internal control structure policies and procedures are implemented.

96-10 Disaster Recovery Plan

The County does not have formal, Board-approved procedures for continued operations in the event of a disaster or major computer breakdown. In the event of a disaster or major computer breakdown, the absence of a plan prevents a timely recovery of vital information and adds to the cost of any interruption.

We urge the County to complete a disaster recovery plan. Some common items found in a disaster recovery plan include, but are not limited to:

- a detailed list of recovery procedures,
- a time line of when procedures will take place,
- identification of a disaster recovery team,
- a list of emergency telephone numbers,
- responsibilities of the disaster recovery team,
- hardware configuration and minimum equipment requirements,
- a master operations schedule and a critical job schedule,
- a list of vendor contacts,
- an information services organization chart and a directory of personnel,
- information relative to off-site back-up storage facilities, and
- any agreements regarding hot or cold sites or back-up processing sites.

The plan should be written and approved by the Board of County Commissioners and a copy stored at an off-site facility.

Client's Response:

Kandiyohi County's Communication/Computer Systems Director continues to work on a new disaster recovery plan that will be finalized by the Kandiyohi County Board of Commissioners.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Cash Overdrafts

At December 31, 2005, the Regional Treatment Center Special Revenue Fund had a cash overdraft of \$27,627.

Minn. Stat. §§ 385.31 and 385.32 provide that, if cash balances in the funds are insufficient, warrants are to be registered or funds borrowed from another fund with sufficient cash.

We recommend the County not make disbursements that cause a cash overdraft in its fund. We further recommend that, if appropriate, the County avail itself of one of the options provided by Minnesota statutes to avoid cash overdrafts.

Client's Response:

The Kandiyohi County Board of Commissioners will review the status of the Regional Treatment Center Special Revenue Fund, and if necessary, an inter-fund transfer will be made in December 2006.

96-3 Individual Ditch System Cash Deficits

Twenty-nine of the 109 individual ditch systems had deficit cash balances as of December 31, 2005, totaling \$285,393. Minn. Stat. § 385.31 permits the payment of expenditures provided there is money in that fund for that purpose. It also provides that warrants are to be registered if a specific fund has insufficient funds to pay for expenditures incurred against it. Minn. Stat. § 103E.655, subd. 2, allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay expenditures against it. Any such loans must be repaid with interest. Allowing any ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from funds of the County and, as such, is in noncompliance with Minnesota law.

We recommend the County eliminate these deficits in individual ditch systems by borrowing from an eligible fund with a surplus cash balance.

Client's Response:

In 2006 one-year ditch repair liens will be levied.

96-5

Compliance with Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989

The County did not have documentation demonstrating that it had a perfected security interest in pledged collateral in compliance with FIRREA, 12 U.S.C. § 1823(e). A 1992 U.S. Court of Appeals decision stated that, if a municipality fails to perfect a security interest under federal law, its right to such collateral in the event of default is not enforceable. To obtain an enforceable security interest in the collateral, FIRREA requires the pledging institution's security agreement or pledge of collateral to meet certain requirements.

We recommend that when the County receives the written collateral assignment, it also review the assignment to determine that:

- the assignment is approved by the depository's Board of Directors or loan committee, and
- the assignment of collateral is continuously, from the time of its execution, an official record of the depository.

We also recommend the County require its depository institutions to comply with FIRREA and to provide proof of compliance in the form of a copy of the depository's Board of Directors or loan committee resolution. The agreement or pledge should include a list of particular securities pledged at the time of the resolution.

Client's Response:

The County Auditor/Treasurer will obtain documentation as required by FIRREA, and also require documentation to protect the security interest whenever collateral is pledged to security deposits in excess of depository insurance.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-11 Ditch Special Revenue Fund - Equity Balance Deficits

Fourteen of the 109 individual ditch systems had deficit unreserved, undesignated fund balances as of December 31, 2005, totaling \$189,387. Minn. Stat. § 103E.735, subd. 1, provides that a repair fund may be established for any ditch system, not to exceed 20 percent of the assessed benefits of the ditch system, or \$40,000, whichever is larger.

We recommend the County eliminate these deficits in individual ditch systems by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus cash balance to provide for the repair and maintenance costs of a ditch system.

Client's Response:

In 2006 one-year ditch repair liens will be levied.

96-12 Stale Checks on Bank Reconciliations

During our review of the bank reconciliations, we noticed outstanding checks over one year old, with some as old as three years. Having outstanding checks on the bank reconciliations for that period of time makes the reconciliations cumbersome and overly complicated.

We recommend the County develop a policy by which it writes stale checks back into the cashbook and maintains a listing of unclaimed property so as to dispose of it according to Minn. Stat. §§ 345.41-.43.

Client's Response:

The County Auditor/Treasurer will develop a policy regarding stale checks and maintain a listing of unclaimed property in accordance with Minn. Stat. §§ 345.41-.43

00-2 Capital Asset Accounting System

Governmental Accounting Standards Board (GASB) Statement 34 requires governments to include capital assets, including infrastructure assets, on the statement of net assets and to report depreciation expenses for those assets on the statement of activities. In addition, capital outlay expenditures in a governmental fund's statement of revenues and expenditures is eliminated in the statement of activities.

The capital asset accounting system should be interfaced with the general ledger so that the capital asset inventory can be updated automatically on an ongoing basis. The general ledger should contain features that prompt the user to provide the additional information when expenditures are recorded to capital outlay accounts. These features will assist the County in complying with the requirements of GASB Statement 34.

The County's current capital assets system is not interfaced with its general ledger; therefore, capital assets purchased are not recorded in the capital asset system when the expenditures are recorded in the general ledger. Generally, purchases of capital assets are recorded manually on the capital asset system after year-end. At that time, County personnel analyze all capital outlay and maintenance expenditure accounts for additions and obtain corroborating information from departments to determine total assets purchased.

We recommend that the County Board take steps to have the capital asset system interfaced with the general ledger.

Client's Response:

Kandiyohi County is scheduled to complete the Capital Asset Accounting System by December 31, 2006.

02-2 Annual Financial Report

Kandiyohi County has a responsibility to prepare financial statements and publish them for its citizens and others. In previous years, the Office of the State Auditor (OSA) has helped the County prepare its annual financial report. The annual financial report includes financial statements, related notes to the financial statements, and schedules.

Schedule 14
(Continued)

A step in preparing financial statements is the preparation of schedules and worksheets to summarize the County's financial record accounts for the financial report. For example, the records of the County could have several different receivable or revenue accounts combined into one line for financial reporting. Also, accounts need to be analyzed to decide if revenue should be accrued for receipts received after year-end or payables accrued for expenditures made after year-end.

Currently, Kandiyohi County staff prepare only limited amounts of information for the financial statements. This includes summarizing each fund's cash transactions in the format for financial presentation in a trial balance and summarizing capital assets. OSA staff provided nonaudit services for other information necessary for preparation of the annual financial report such as summarizing long-term debt and converting the cash basis information to modified or full accrual.

Changes to *Government Auditing Standards*, issued by the Comptroller General of the United States, required the OSA to reassess the nonaudit services it provides to its audit clients. The primary effect of the change in *Government Auditing Standards* on the County is that the County needs to prepare the summary schedules of receivables and payables, classify its accounts for the financial statements, prepare the trial balances for audit, and make all policy decisions. Using this information, the OSA may continue to provide technical assistance in the preparation of financial statements.

We recognize that the County has made tremendous progress in preparing information needed for the audit. However, the auditors were still required to provide technical assistance in completing the annual financial report. We recommend that the County Board ensure that staff assigned to prepare the necessary information have the time necessary to complete the information needed for the annual financial report by the date mutually agreed to with the OSA.

Client's Response:

Kandiyohi County is working with Computer Professional Unlimited, Inc., in developing programs that will assist in the preparation of the Annual Financial Statements.

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, like what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

Some of the issues that the County Board will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

Schedule 14
(Continued)

If applicable for Kandiyohi County, GASB Statements 43 and 45 would be implemented for the years ended December 31, 2007 and 2008, respectively.

OTHER REQUIRED REPORTS

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PATRICIA ANDERSON
STATE AUDITOR

**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 County Commissioners
Kandiyohi County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County as of and for the year ended December 31, 2005, and have issued our report thereon dated August 8, 2006. Those financial statements include the discretely presented component unit activity of the Kandiyohi County Housing and Redevelopment Authority (HRA) for the year ended June 30, 2005, whose financial statements were audited by other auditors. 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. A separate report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* issued by other auditors for the HRA is available.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kandiyohi County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data

consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 96-8 and 96-10.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe neither of the reportable conditions indicated above is a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Kandiyohi County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 96-1, 96-3, and 96-5.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 8, 2006

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PATRICIA ANDERSON
STATE AUDITOR

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners
Kandiyohi County

Compliance

We have audited the compliance of Kandiyohi County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Kandiyohi County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Kandiyohi County's financial statements include the activities of the Kandiyohi County Housing and Redevelopment Authority (HRA), a component unit, which expended \$1,192,566 in federal awards during the year ended June 30, 2005. The HRA's federal awards are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the activities of the HRA because other auditors were engaged to perform a separate Single Audit in accordance with OMB Circular A-133.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Kandiyohi County'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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Kandiyohi County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Kandiyohi County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely reported component unit, each major fund, and the aggregate remaining fund information of Kandiyohi County as of and for the year ended December 31, 2005, and have issued our report thereon dated August 8, 2006. Those financial statements also include the activities of the Kandiyohi County HRA discretely presented component unit for the year ended June 30, 2005, whose financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a

required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

/s/Greg Hierlinger

PATRICIA ANDERSON
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 8, 2006

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**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 15

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 211,211
Passed Through Minnesota Department of Human Services Administrative Matching Grants for Food Stamp Program	10.561	20,252
Total U.S. Department of Agriculture		\$ 231,463
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Lead Hazard Reduction Demonstration Grant Program	14.905	\$ 15,000
U.S. Department of Justice		
Direct Public Safety Partnership and Community Policing Grants	16.710	\$ 42,406
U.S. Department of Labor		
Direct Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261	\$ 46,942
U.S. Department of Transportation		
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	\$ 6,494
U.S. Environmental Protection Agency		
Passed Through Minnesota Pollution Control Agency Nonpoint Source Implementation Grants	66.460	\$ 22,568
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health Immunization Grants Centers for Disease Control and Prevention Investigations and Technical Assistance	93.268	\$ 400
Maternal and Child Health Services Block Grant	93.283	283,563
	93.994	57,660
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	19,914
Temporary Assistance for Needy Families	93.558	523,206
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	581,709
Foster Care Title IV-E	93.658	315,289
Social Services Block Grant Title XX	93.667	332,804
Chafee Foster Care Independence Program	93.674	21,294
Community Mental Health Services Block Grant	93.958	15,340
Total U.S. Department of Health and Human Services		\$ 2,151,179

**KANDIYOHI COUNTY
WILLMAR, MINNESOTA**

Schedule 15
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 5,000
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	46,460
Homeland Security Grant Program	97.067	<u>18,214</u>
Total U.S. Department of Homeland Security		\$ 69,674
Total Federal Awards		\$ <u>2,585,726</u>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Kandiyohi County. The County's reporting entity is defined in Note 1 to the basic financial statements. The schedule does not include \$1,192,566 in federal awards expended by the Kandiyohi County HRA component unit, which has a separate single audit performed by other auditors.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. During 2005, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.