STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

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 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of 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 approximately 650 public pension funds; and

Tax Increment Financing - 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 Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

Year Ended December 31, 2016

Audit Practice Division
Office of the State Auditor
State of Minnesota

This page was left blank intentionally.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

TABLE OF CONTENTS

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

TABLE OF CONTENTS

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

TABLE OF CONTENTS
(Continued)

This page was left blank intentionally.

Introductory Section

This page was left blank intentionally.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

ORGANIZATION
2016

Office	Name	Term of Office From	Term of Office To
Commissioners			
1st District	Jim Butterfield	January 2015	January 2019
2nd District	Doug Reese**	January 2013	January 2017
3rd District	Roland Nissen	January 2015	January 2019
4th District	Roger Imdieke*	January 2013	January 2017
5th District	Harlan Madsen	January 2013	January 2017
Officers			
Elected			
Attorney	Shane Baker	January 2015	January 2019
Sheriff	Dan Hartog	January 2015	January 2019
Appointed			
Administrator	Larry Kleindl	Indefinite	
Assessor	Valora Svor	November 2013	November 2017
Auditor/Treasurer	Mark Thompson	Indefinite	
Recorder	Julie Kalkbrenner	Indefinite	
Registrar of Titles	Julie Kalkbrenner	Indefinite	
Examiner of Titles	Brad Schmidt	Indefinite	
Public Works Director	Melvin Odens	September 2015	September 2019
Veterans Service Officer	Trisha Appledorn	January 2015	January 2019
Human Services Director	Ann Stehn	Indefinite	
Medical Examiner	Richard Kacher	January 2015	January 2019
Surveyor	Duane Bonnema	Indefinite	
Community Corrections Director	Debra West	Indefinite	

*Chair
**Vice Chair

This page was left blank intentionally.

Financial Section

This page was left blank intentionally.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

REBECCA OTTO
STATE AUDITOR

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Kandiyohi County
Willmar, Minnesota

Report on the Financial Statements

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, 2016, including the Kandiyohi County Housing and Redevelopment Authority (HRA) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kandiyohi County HRA, which represents the amounts shown as 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 component unit, is based solely on the report of the 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the 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, 2016, including the Kandiyohi County HRA as of June 30, 2016, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kandiyohi County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2017, 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* in considering Kandiyohi County's internal control over financial reporting and compliance. It does not include the Kandiyohi County HRA, which was audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted 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 (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 5, 2017

This page was left blank intentionally.

MANAGEMENT’S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
(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, 2016. 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 position is $179,308,917, of which $132,552,971 is the net investment in capital assets, and $22,407,569 is restricted to specific purposes.

- Kandiyohi County's net position increased by $8,504,447 for the year ended December 31, 2016. The net position of the County's discretely presented component unit increased by $704,699.

- The net cost of governmental activities was $28,332,725 for the current fiscal year. The net cost was funded by general revenues and other items totaling $36,837,172.

- Governmental funds' net change in fund balances was an increase of $7,715,801.

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 Position 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 Position and the Statement of Activities

Our analysis of the County as a whole begins with Exhibit 1. The Statement of Net Position 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 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 position and changes in them. You can think of the County's net position--the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources--as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position is 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 Position 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, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.

- Component units--The County includes one separate legal entity in its report. The Kandiyohi County Housing and Redevelopment Authority is presented in a separate column. Although legally separate, this component unit is important because the County is financially accountable for it.

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 Position and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

- Fiduciary funds--The County is an agent for individuals, private organizations, other governments, or other funds. All of the County's fiduciary activities are reported in the Statement of Fiduciary Net Position on Exhibit 7. 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 Position

The County's net position was $179,308,917 on December 31, 2016. (See Table A-1.)

Table A-1
Net Position

	Governmental Activities		Percent (%)
	2016	2015	Change
Assets			
Current and other assets	$ 89,743,385	$ 80,905,685	10.9
Capital assets	166,324,058	163,101,136	2.0
Total Assets	$ 256,067,443	$ 244,006,821	4.9
Deferred Outflows of Resources			
Deferred pension outflows	$ 20,734,638	$ 3,116,664	565.3
Liabilities			
Current liabilities	$ 3,431,332	$ 3,100,303	10.7
Long-term liabilities	89,182,552	70,564,572	26.4
Total Liabilities	$ 92,613,884	$ 73,664,875	25.7

	Governmental Activities 2016	Governmental Activities 2015	Percent (%) Change
Deferred Inflows of Resources			
Advance from other governments	$ 667,449	$ 215,966	209.1
Deferred pension inflows	4,211,831	2,438,174	72.7
Total Deferred Inflows of Resources	$ 4,879,280	$ 2,654,140	83.8
Net Position			
Net investment in capital assets	$ 132,552,971	$ 124,114,041	6.8
Restricted	22,407,569	16,131,617	38.9
Unrestricted	24,348,377	30,558,812	(20.3)
Total Net Position	$ 179,308,917	$ 170,804,470	5.0

Changes in Net Position

The County-wide total revenues were $75,246,606 for the year ended December 31, 2016. Taxes and intergovernmental revenues accounted for 74.0 percent of total revenues for the year. (See Figures A-3 and A-4.)

Table A-2
Changes in Net Position

	Governmental Activities for Fiscal Year Ended December 31 2016	Governmental Activities for Fiscal Year Ended December 31 2015	Total Percent (%) Change
Revenues			
Program revenues			
Fees, charges, fines, and other	$ 16,782,044	$ 16,518,807	1.6
Operating grants and contributions	20,439,104	19,222,561	6.3
Capital grants and contributions	1,188,286	2,058,296	(42.3)
General revenues			
Taxes	31,436,434	30,087,278	4.5
Grants and contributions not restricted to specific programs	2,414,933	2,377,474	1.6
Investment earnings	727,643	788,740	(7.7)
Other	2,258,162	2,369,297	(4.7)
Total Revenues	$ 75,246,606	$ 73,422,453	2.5

	Governmental Activities for Fiscal Year Ended December 31 2016	2015	Total Percent (%) Change
Expenses			
General government	$ 11,202,871	$ 9,581,553	16.9
Public safety	16,783,622	14,560,668	15.3
Highways and streets	11,004,352	11,263,851	(2.3)
Sanitation	4,752,051	5,267,419	(9.8)
Human services	16,426,733	15,797,473	4.0
Health	2,356,970	2,414,751	(2.4)
Culture and recreation	992,981	1,356,345	(26.8)
Conservation of natural resources	2,027,883	1,998,859	1.5
Economic development	34,132	32,336	5.6
Interest	1,160,564	1,298,991	(10.7)
Total Expenses	$ 66,742,159	$ 63,572,246	5.0
Increase in Net Position	$ 8,504,447	$ 9,850,207	
Beginning Net Position	170,804,470	160,954,263	
Ending Net Position	$ 179,308,917	$ 170,804,470	

Figure A-3
Sources of County Revenues for Fiscal Year 2016

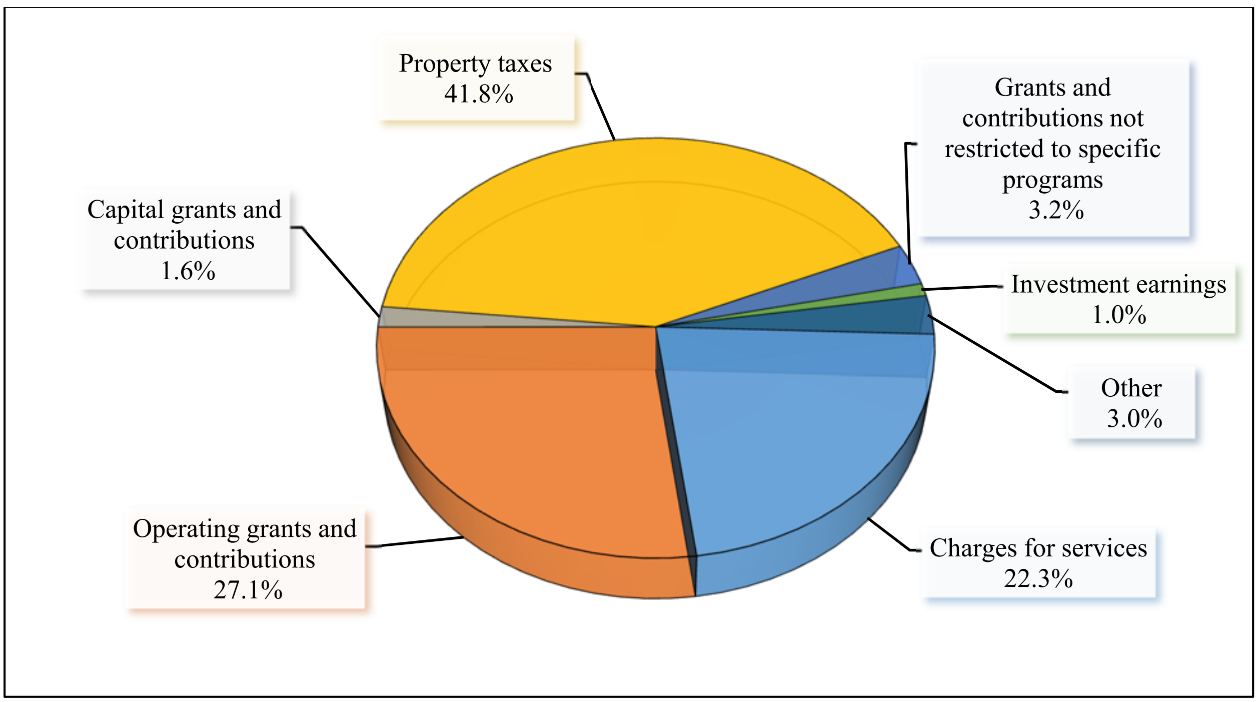
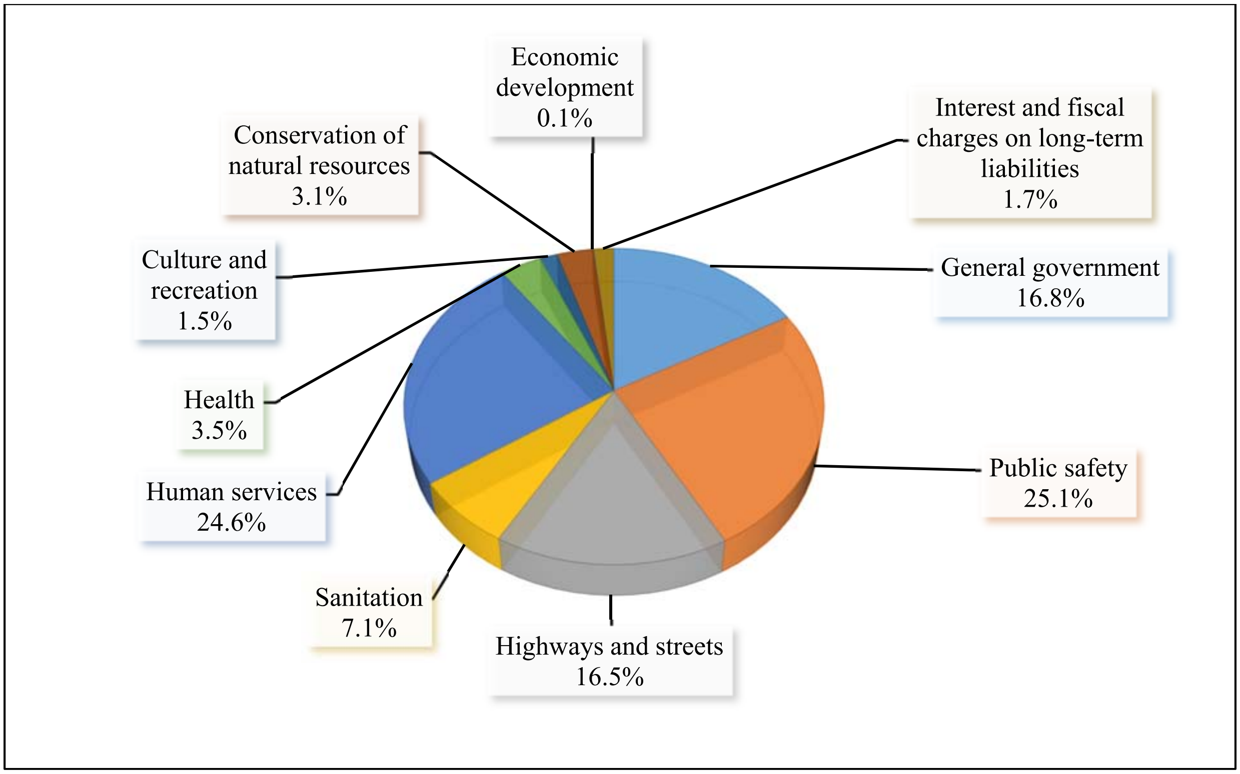


Figure A-4
Sources of County Expenses for Fiscal Year 2016



Total revenues surpassed expenses, increasing net position $8,504,447 over last year.

The County-wide cost of all governmental activities this year was $66,742,159.

- Some of the cost was paid by the users of the County's programs ($16,782,044).

- The federal and state governments subsidized certain programs with grants and contributions ($21,627,390).

- Some of the County's costs ($28,332,725), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with $30,863,861 in property taxes; and $5,973,311 of state aid, 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 (%)	Net Cost of Services		Percent (%)
	2016	2015	Change	2016	2015	Change
General government	$ 11,202,871	$ 9,581,553	16.9	$ 8,464,591	$ 7,022,316	20.5
Public safety	16,783,622	14,560,668	15.3	13,069,616	10,625,347	23.0
Highways and streets	11,004,352	11,263,851	(2.3)	2,071,708	1,889,344	9.7
Sanitation	4,752,051	5,267,419	(9.8)	(3,159,952)	(2,765,521)	14.3
Human services	16,426,733	15,797,473	4.0	6,679,264	6,106,005	9.4
Health	2,356,970	2,414,751	(2.4)	678,440	643,867	5.4
Culture and recreation	992,981	1,356,345	(26.8)	561,494	954,884	(41.2)
Conservation of natural resources	2,027,883	1,998,859	1.5	(1,227,132)	(34,987)	3,407.4
Economic development	34,132	32,336	5.6	34,132	32,336	5.6
Interest	1,160,564	1,298,991	(10.7)	1,160,564	1,298,991	(10.7)
Total	$ 66,742,159	$ 63,572,246	5.0	$ 28,332,725	$ 25,772,582	9.9

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 $68,349,691.

Revenues for the County's governmental funds were $74,842,502, while total expenditures were $74,570,057. During 2016, the County also issued loans and bonds 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		Change	
	2016	2015	Increase (Decrease)	Percent (%)
Taxes	$ 16,125,049	$ 15,166,911	$ 958,138	6.3
Intergovernmental	6,153,481	5,399,250	754,231	14.0
Charges for services	4,473,234	4,572,801	(99,567)	(2.2)
Investment earnings	580,703	271,623	309,080	113.8
Miscellaneous and other	1,880,572	1,847,175	33,397	1.8
Total General Fund Revenues	$ 29,213,039	$ 27,257,760	$ 1,955,279	7.2

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

Table A-7
General Fund Expenditures

	Year Ended December 31		Change	
	2016	2015	Increase (Decrease)	Percent (%)
General government	$ 8,744,199	$ 7,498,027	$ 1,246,172	16.6
Public safety	14,015,936	13,591,629	424,307	3.1
Health	2,257,682	2,331,445	(73,763)	(3.2)
Culture and recreation	433,018	562,095	(129,077)	(23.0)
Conservation of natural resources	1,237,644	1,148,421	89,223	7.8
Economic development	34,132	32,336	1,796	5.6
Debt service	281,675	267,767	13,908	5.2
Total General Fund Expenditures	$ 27,004,286	$ 25,431,720	$ 1,572,566	6.2

General Fund Budgetary Highlights

- Actual revenues were $4,016,637 more than budgeted.
- Actual expenditures were $1,261,886 more than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016, the County had invested $233,158,053 in a broad range of capital assets, including land, landfill, 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 $5,597,519.

Table A-8
Capital Assets

	2016	2015	Percent (%) Change
Land	$ 6,607,347	$ 6,482,739	1.9
Landfill	10,117,635	6,441,352	57.1
Infrastructure	142,065,549	141,684,291	0.3
Buildings	45,999,938	45,791,617	0.5
Machinery, vehicles, furniture, and equipment	18,888,789	16,563,063	14.0
Construction in progress	9,163,313	7,496,188	22.2
Software	315,482	315,482	-
Less: accumulated depreciation	(66,833,995)	(61,673,596)	8.4
Total Capital Assets	$ 166,324,058	$ 163,101,136	2.0

Debt

At year-end, the County had outstanding debt of $40,645,862 versus $41,073,532 last year, a decrease of 1.0 percent as shown in Table A-9.

Table A-9
Outstanding Debt

	2016	2015	Percent (%) Change
General obligation bonds	$ 14,440,000	$ 12,390,000	16.5
Special assessment bonds	14,390,000	15,650,000	(8.1)
Capital lease	881,741	1,293,622	(31.8)
Deferred (discount) premiums	514,636	334,137	54.0
Loans payable	10,419,485	11,405,773	(8.6)
Total Outstanding Debt	$ 40,645,862	$ 41,073,532	(1.0)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County is dependent on the State of Minnesota for a significant portion of its revenue. 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, Larry Kleindl, Health and Human Services Building, 2200 - 23rd Street N.E., Willmar, Minnesota 56201.

This page was left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government Governmental Activities	Component Unit Kandiyohi County Housing and Redevelopment Authority
Assets		
Current assets		
Cash and pooled investments	$ 69,064,455	$ 2,171,529
Taxes receivable	430,103	275,956
Special assessments receivable	57,231	-
Accounts receivable	637,285	272,222
Accrued interest receivable	175,238	-
Due from other governments	3,631,897	-
Current portion of notes receivable	-	3,544
Current portion of long-term receivable	18,666	-
Rent receivable	-	15,811
Inventories	438,511	-
Prepaid items	-	42,672
Noncurrent assets		
Special assessments receivable - net	12,935,735	-
Accounts receivable - net	2,040,414	-
Notes receivable	-	700,004
Long-term receivable	88,665	-
Net other postemployment benefits receivable	225,185	-
Restricted assets		
Cash and pooled investments	-	108,123
Capital assets		
Non-depreciable	15,770,660	1,271,913
Depreciable - net of accumulated depreciation	150,553,398	2,657,530
Total Assets	**$ 256,067,443**	**$ 7,519,304**
Deferred Outflows of Resources		
Deferred pension outflows	**$ 20,734,638**	**$ -**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government Governmental Activities	Component Unit Kandiyohi County Housing and Redevelopment Authority
Liabilities		
Current liabilities		
Accounts payable	$ 1,128,864	$ 185,347
Salaries payable	900,914	-
Accrued payroll and payroll taxes	-	119,009
Contracts payable	342,017	-
Due to other governments	641,194	-
Accrued interest payable	397,430	3,886
Unearned revenue	20,913	17,767
Other accrued liabilities	-	51,631
Restricted liabilities payable from restricted assets		
Security deposits	-	64,831
Long-term liabilities		
Due within one year	9,195,675	52,422
Due in more than one year	42,172,194	1,114,000
Net pension liability	37,814,683	-
Total Liabilities	**$ 92,613,884**	**$ 1,608,893**
Deferred Inflows of Resources		
Property taxes levied for subsequent years expenditures	$ -	$ 290,000
Advance from other governments	667,449	-
Deferred pension inflows	4,211,831	-
Total Deferred Inflows of Resources	**$ 4,879,280**	**$ 290,000**
Net Position		
Net investment in capital assets	$ 132,552,971	$ 2,765,021
Restricted for		
General government	519,217	-
Public safety	1,336,749	-
Highways and streets	1,480,721	-
Sanitation	8,114,642	-
Conservation of natural resources	716,348	-
Debt service	10,239,892	-
Other purpose	-	413,289
Unrestricted	24,348,377	2,442,101
Total Net Position	**$ 179,308,917**	**$ 5,620,411**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary government		
Governmental activities		
General government	$ 11,202,871	$ 2,545,565
Public safety	16,783,622	2,337,314
Highways and streets	11,004,352	633,690
Sanitation	4,752,051	7,678,365
Human services	16,426,733	1,176,926
Health	2,356,970	618,457
Culture and recreation	992,981	376,748
Conservation of natural resources	2,027,883	1,414,979
Economic development	34,132	-
Interest	1,160,564	-
Total Primary Government	**$ 66,742,159**	**$ 16,782,044**
Component unit		
Kandiyohi County Housing and Redevelopment Authority	**$ 3,807,850**	**$ 1,888,891**

General Revenues
Property taxes, levied for general purposes
Gravel taxes
Mortgage registry and deed tax
Wheelage tax
Property taxes, levied for HRA
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
Gain on sale of capital assets
Special Item
Transfer of operations from the Willmar HRA

Total general revenues and special item

Change in net position

Net Position - Beginning

Net Position - Ending

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

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Discretely Presented Component Unit
$ 192,715	$ -	$ (8,464,591)	
1,376,692	-	(13,069,616)	
7,110,668	1,188,286	(2,071,708)	
233,638	-	3,159,952	
8,570,543	-	(6,679,264)	
1,060,073	-	(678,440)	
54,739	-	(561,494)	
1,840,036	-	1,227,132	
-	-	(34,132)	
-	-	(1,160,564)	
$ 20,439,104	**$ 1,188,286**	**$ (28,332,725)**	
$ 1,994,651	**$ -**		**$ 75,692**
		$ 30,863,861	$ -
		82,519	-
		37,588	-
		452,466	-
		-	42,135
		219,212	-
		2,414,933	-
		727,643	63,826
		2,031,604	-
		7,346	-
		-	523,046
		$ 36,837,172	**$ 629,007**
		$ 8,504,447	**$ 704,699**
		170,804,470	**4,915,712**
		$ 179,308,917	**$ 5,620,411**

This page was left blank intentionally.

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Road and Bridge	Human Services
Assets			
Cash and pooled investments	$ 19,181,331	$ 6,658,305	$ 5,708,407
Taxes receivable			
Delinquent	221,130	60,818	91,282
Special assessments			
Delinquent	22,209	-	-
Noncurrent	1,555,305	-	-
Accounts receivable	280,523	6,287	85,633
Accrued interest receivable	94,678	6,062	-
Due from other funds	13,607	4,901	650
Due from other governments	341,995	1,752,190	1,189,603
Inventories	-	438,511	-
Advance to other funds	125,000	-	-
Long-term receivable	-	-	-
Total Assets	**$ 21,835,778**	**$ 8,927,074**	**$ 7,075,575**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 428,569	$ 157,223	$ 202,467
Salaries payable	540,083	84,255	228,141
Contracts payable	-	342,017	-
Due to other funds	713	31,961	11,684
Due to other governments	209,631	15,841	236,828
Unearned revenue	20,913	-	-
Advance from other funds	-	-	-
Total Liabilities	**$ 1,199,909**	**$ 631,297**	**$ 679,120**
Deferred Inflows of Resources			
Unavailable revenue	$ 1,793,667	$ 1,572,346	$ 369,964
Advances from other governments	-	667,449	-
Total Deferred Inflows of Resources	**$ 1,793,667**	**$ 2,239,795**	**$ 369,964**

EXHIBIT 3

Sanitary Landfill/ Recycling Center	County Building	Debt Service	Capital Projects	Nonmajor Funds	Total
$ 14,488,952	$ 5,671,761	$ 10,143,614	$ 259,767	$ 6,952,318	$ 69,064,455
-	5,948	24,505	-	26,420	430,103
-	-	24,548	2,035	8,439	57,231
-	-	9,752,084	656,721	971,625	12,935,735
1,411,244	-	354,815	-	539,197	2,677,699
39,963	5,120	-	-	29,415	175,238
63	-	-	-	31,961	51,182
984	31,481	70,884	-	244,760	3,631,897
-	-	-	-	-	438,511
-	-	-	-	-	125,000
-	107,331	-	-	-	107,331
$ 15,941,206	**$ 5,821,641**	**$ 20,370,450**	**$ 918,523**	**$ 8,804,135**	**$ 89,694,382**
$ 110,322	$ -	$ -	$ -	$ 230,283	$ 1,128,864
17,714	-	-	-	30,721	900,914
-	-	-	-	-	342,017
148	-	-	-	6,676	51,182
33,091	29,218	5,652	-	110,933	641,194
-	-	-	-	-	20,913
-	-	-	-	125,000	125,000
$ 161,275	**$ 29,218**	**$ 5,652**	**$ -**	**$ 503,613**	**$ 3,210,084**
$ 1,264,197	$ 8,043	$ 10,124,906	$ 657,719	$ 1,676,316	$ 17,467,158
-	-	-	-	-	667,449
$ 1,264,197	**$ 8,043**	**$ 10,124,906**	**$ 657,719**	**$ 1,676,316**	**$ 18,134,607**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Road and Bridge	Human Services
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)			
Fund Balances			
Nonspendable			
Inventories	$ -	$ 438,511	$ -
Missing heirs	193,007	-	-
Advances to other funds	125,000	-	-
Restricted for			
Debt service	-	-	-
Recorder's equipment purchases	470,285	-	-
Sheriff's contingency	131,874	-	-
Forfeited property	273,646	-	-
Permit to carry	240,362	-	-
Public safety	68,915	-	-
Sanitation	-	-	-
Donations - public safety	9,807	-	-
Enhanced 911	612,145	-	-
Gravel pit restoration	262,985	-	-
Highways and streets	-	129,909	-
ISTS loans	48,932	-	-
Closure/postclosure	-	-	-
Ditch maintenance and repairs	-	-	-
Committed to			
Repairs and maintenance of County buildings	-	-	-
Purchases of capital equipment	-	-	-
Eagle Lake Sewer	-	-	-
Green Lake Sewer	-	-	-
Library operations and building maintenance	-	-	-
DARE program	-	-	-
Health and Human Services building operations and maintenance	-	-	-
Assigned to			
Highways and streets	-	5,487,562	-
Human services	-	-	6,026,491
Capital projects	-	-	-
Unassigned	16,405,244	-	-
Total Fund Balances	**$ 18,842,202**	**$ 6,055,982**	**$ 6,026,491**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 21,835,778**	**$ 8,927,074**	**$ 7,075,575**

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

EXHIBIT 3
(Continued)

Sanitary Landfill/ Recycling Center	County Building	Debt Service	Capital Projects	Nonmajor Funds	Total
$ -	$ -	$ -	$ -	$ -	$ 438,511
-	-	-	-	-	193,007
-	-	-	-	-	125,000
-	-	10,239,892	-	-	10,239,892
-	-	-	-	-	470,285
-	-	-	-	-	131,874
-	-	-	-	-	273,646
-	-	-	-	-	240,362
-	-	-	-	-	68,915
8,114,642	-	-	-	-	8,114,642
-	-	-	-	-	9,807
-	-	-	-	-	612,145
-	-	-	-	-	262,985
-	-	-	-	-	129,909
-	-	-	-	-	48,932
6,401,092	-	-	-	-	6,401,092
-	-	-	-	453,363	453,363
-	5,784,380	-	-	-	5,784,380
-	-	-	-	3,757,003	3,757,003
-	-	-	-	303,946	303,946
-	-	-	-	1,898,704	1,898,704
-	-	-	-	211,452	211,452
-	-	-	-	56,161	56,161
-	-	-	-	579,723	579,723
-	-	-	-	-	5,487,562
-	-	-	-	-	6,026,491
-	-	-	260,804	-	260,804
-	-	-	-	(636,146)	15,769,098
$ 14,515,734	**$ 5,784,380**	**$ 10,239,892**	**$ 260,804**	**$ 6,624,206**	**$ 68,349,691**
$ 15,941,206	**$ 5,821,641**	**$ 20,370,450**	**$ 918,523**	**$ 8,804,135**	**$ 89,694,382**

This page was left blank intentionally.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Fund balances - total governmental funds (Exhibit 3)		**$ 68,349,691**
Amounts reported for governmental activities in the statement of net position 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.		166,324,058
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		20,734,638
Revenue in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		17,467,158
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (14,440,000)	
Special assessment bonds	(14,390,000)	
Unamortized premium on bonds	(559,732)	
Unamortized discount on bonds	45,096	
Capital lease payable	(881,741)	
Loans payable	(10,419,485)	
Estimated liability for landfill closure/postclosure	(6,401,092)	
Compensated absences	(4,320,915)	
Net pension liability	(37,814,683)	
Net other postemployment benefits	225,185	(88,957,367)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(4,211,831)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(397,430)
Net Position of Governmental Activities (Exhibit 1)		**$ 179,308,917**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Road and Bridge	Human Services
Revenues			
Taxes	$ 16,125,049	$ 4,910,035	$ 6,579,706
Special assessments	297,837	-	-
Licenses and permits	523,397	-	-
Intergovernmental	6,153,481	7,851,577	8,713,439
Charges for services	4,473,234	608,802	934,129
Fines and forfeits	105,416	-	-
Gifts and contributions	14,065	-	-
Investment earnings	580,703	11,645	-
Miscellaneous	939,857	24,888	242,583
Total Revenues	**$ 29,213,039**	**$ 13,406,947**	**$ 16,469,857**
Expenditures			
Current			
General government	$ 8,744,199	$ -	$ -
Public safety	14,015,936	-	-
Highways and streets	-	12,928,695	-
Sanitation	-	-	-
Human services	-	-	15,852,318
Health	2,257,682	-	-
Culture and recreation	433,018	-	-
Conservation of natural resources	1,237,644	-	-
Economic development	34,132	-	-
Intergovernmental			
Highways and streets	-	406,530	-
Culture and recreation	-	-	-
Capital outlay			
Sanitation	-	-	-
Debt service			
Principal	240,897	2,385,000	-
Interest	40,778	130,695	-
Administrative (fiscal) charges	-	1,732	-
Bond issuance costs	-	29,168	-
Total Expenditures	**$ 27,004,286**	**$ 15,881,820**	**$ 15,852,318**
Excess of Revenues Over (Under) Expenditures	**$ 2,208,753**	**$ (2,474,873)**	**$ 617,539**

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

EXHIBIT 5

Sanitary Landfill/ Recycling Center	County Building	Debt Service	Capital Projects	Nonmajor Funds	Total
$ -	$ 369,591	$ 1,742,885	$ -	$ 1,729,070	$ 31,456,336
236,000	-	1,548,433	73,661	594,812	2,750,743
1,020	-	-	-	-	524,417
223,638	28,534	2,084	-	215,036	23,187,789
3,523,430	-	1,286,481	-	1,366,244	12,192,320
-	-	-	-	28,375	133,791
-	-	-	-	-	14,065
58,383	5,739	-	-	33,953	690,423
481,402	234,436	998	-	1,968,454	3,892,618
$ 4,523,873	**$ 638,300**	**$ 4,580,881**	**$ 73,661**	**$ 5,935,944**	**$ 74,842,502**
$ -	$ 368,761	$ -	$ -	$ 1,056,183	$ 10,169,143
-	139	-	-	184,558	14,200,633
-	-	-	-	645,727	13,574,422
3,947,389	-	-	-	1,736,380	5,683,769
-	-	-	-	-	15,852,318
-	-	-	-	-	2,257,682
-	380,751	-	-	202,877	1,016,646
-	30,448	-	-	649,874	1,917,966
-	-	-	-	-	34,132
-	-	-	-	-	406,530
-	-	-	-	363,300	363,300
-	-	-	2,028	-	2,028
240,000	-	3,936,000	-	1,026,881	7,828,778
33,300	-	883,743	-	67,892	1,156,408
2,000	-	9,476	-	-	13,208
-	-	63,926	-	-	93,094
$ 4,222,689	**$ 780,099**	**$ 4,893,145**	**$ 2,028**	**$ 5,933,672**	**$ 74,570,057**
$ 301,184	**$ (141,799)**	**$ (312,264)**	**$ 71,633**	**$ 2,272**	**$ 272,445**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Road and Bridge	Human Services
Other Financing Sources (Uses)			
Transfers in	$ 200,000	$ -	$ -
Transfers out	-	-	-
Loans issued	310,609	-	-
Refunding bonds issued	-	2,165,000	-
Premium on bonds issued	-	68,710	-
Proceeds from sale of capital assets	5,575	-	1,771
Total Other Financing Sources (Uses)	**$ 516,184**	**$ 2,233,710**	**$ 1,771**
Net Change in Fund Balance	**$ 2,724,937**	**$ (241,163)**	**$ 619,310**
Fund Balance - January 1	**16,117,265**	**6,272,350**	**5,407,181**
Increase (decrease) in inventories	**-**	**24,795**	**-**
Fund Balance - December 31	**$ 18,842,202**	**$ 6,055,982**	**$ 6,026,491**

EXHIBIT 5
(Continued)

Sanitary Landfill/ Recycling Center	County Building	Debt Service	Capital Projects	Nonmajor Funds	Total
$ -	$ -	$ -	$ -	$ 22,549	$ 222,549
-	(200,000)	(22,549)	-	-	(222,549)
-	-	-	-	-	310,609
-	-	4,745,000	-	-	6,910,000
-	-	121,896	-	-	190,606
-	-	-	-	-	7,346
$ -	**$ (200,000)**	**$ 4,844,347**	**$ -**	**$ 22,549**	**$ 7,418,561**
$ 301,184	**$ (341,799)**	**$ 4,532,083**	**$ 71,633**	**$ 24,821**	**$ 7,691,006**
14,214,550	**6,126,179**	**5,707,809**	**189,171**	**6,599,385**	**60,633,890**
-	**-**	**-**	**-**	**-**	**24,795**
$ 14,515,734	**$ 5,784,380**	**$ 10,239,892**	**$ 260,804**	**$ 6,624,206**	**$ 68,349,691**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balances - total governmental funds (Exhibit 5)		**$**	**7,691,006**
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 or decrease in unavailable revenue.			
Unavailable revenue - December 31	$ 17,467,158		
Unavailable revenue - January 1	(17,181,399)		285,759
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. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed of.			
Expenditures for general capital assets and infrastructure	$ 8,985,539		
Net book value of assets sold	(165,097)		
Current year depreciation	(5,597,519)		3,222,923
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.			
Debt issued			
Refunding bonds issued	$ (6,910,000)		
Premium on refunding bonds issued	(190,606)		
Loans issued	(310,609)		(7,411,215)
Principal repayments			
General obligation bonds	$ 4,860,000		
Special assessment bonds	1,260,000		
Capital lease	411,881		
Loans payable	1,296,897		7,828,778

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

EXHIBIT 6
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

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	$ 92,039	
Current year amortization of premium on bonds issued	88,724	
Current year amortization of discount on bonds issued	(78,617)	
Change in compensated absences	(86,748)	
Change in net other postemployment benefits	(38,411)	
Change in net pension liability	(19,821,490)	
Change in deferred outflows of resources	17,617,974	
Change in deferred inflows of resources	(1,773,657)	
Change in inventories	24,795	
Change in estimated liability for landfill closure/postclosure	862,587	(3,112,804)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 8,504,447**

This page was left blank intentionally.

FIDUCIARY FUND

This page was left blank intentionally.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2016

	Agency Fund
Assets	
Cash and pooled investments	$ 1,424,669
Liabilities	
Due to other governments	$ 1,424,669

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

This page was left blank intentionally.

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2016. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). 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 appointed County Auditor/Treasurer serves as 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. The 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 the 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.

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.

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements
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.

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements
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.	Kandiyohi County HRA Kandiyohi County Health and Human Services Building 2200 - 23rd St. N.E. Suite 2090 Willmar, Minnesota 56201

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 5.D. The County also participates in a jointly-governed organization described in Note 5.E.

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position 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 position, 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 position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. 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.

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 County not accounted for and reported in another fund.

The Road and Bridge Special Revenue Fund accounts for restricted revenue sources from federal, state, and other oversight agencies, as well as unrestricted property tax revenues for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund accounts for restricted revenue sources from federal, state, and other oversight agencies, as well as unrestricted property tax revenues used for economic assistance and community social services programs.

The Sanitary Landfill/Recycling Center Special Revenue Fund accounts 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 was provided by the sale of solid waste bonds and a grant from the State of Minnesota under the capital assistance program.

The County Building Special Revenue Fund accounts for committed financial resources, primarily property tax revenues, for improvements to and purchases of County buildings.

The Debt Service Fund accounts for the accumulation of restricted resources used for, and the payment of, principal, interest, and related costs of the County's debt obligations.

The Capital Projects Fund accounts for financial resources for the construction of major capital facilities of the County.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund type:

Fiduciary Fund

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. This fund accounts 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 full 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 general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuances 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.

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position 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. Investments are reported at their fair value at December 31, 2016. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. 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 2016 were $580,703.

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 investment in the pool is measured at the net asset value per share provided by the pool.

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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."

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

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 May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

2. Receivables and Payables (Continued)

Special assessments receivable consist of delinquent special assessments payable in the years 2001 through 2016 and noncurrent special assessments payable in 2017 and after.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed and are equally offset by nonspendable fund balance to indicate that they do not constitute available spendable resources. Inventories at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position 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 $5,000 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 acquisition value at the date of donation.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

5. Capital Assets (Continued)

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.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 50
Landfill	50
Public domain infrastructure	50 - 75
Furniture, equipment, and vehicles	5 - 20
Software	5

6. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation 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. 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. Compensated absences are accrued when incurred in the government-wide financial statements. The current portion is based on the average of the three most recent years of termination payments. Compensated absences are liquidated by the General Fund, Road and Bridge and Human Services Special Revenue Funds, and other governmental funds with personal services.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over 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 expensed in the year the debt is issued.

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 an other financing source. 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the County has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, the differences between expected and actual pension plan economic experience, changes in actuarial assumptions, changes in pension plan proportionate share, and the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

9. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three such items that qualify for reporting in this category. The first item, unavailable revenue, arises only under the modified accrual basis of accounting, and is reported in the governmental funds balance sheet. Unavailable revenues are deferred and recognized as inflows of resources in the period that the amounts become available. The second item, advance from other governments, arises under both the modified accrual and the full accrual basis of accounting. The County records this item when grants are received in advance of the period they are earned. The County also has a third item, deferred pension inflows, which arises only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

10. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The net pension liability is liquidated by the General Fund, Road and Bridge and Human Services Special Revenue Funds, and other governmental funds with personal services expenditures.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

11. Classification of Net Position

Net position in the government-wide financial statement is classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

12. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

12. Classification of Fund Balances (Continued)

Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount of fund balance that is not restricted or committed.

Unassigned - the residual classification for the General Fund; it includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. The County does not have a formal policy for its use of unrestricted fund balance amounts; therefore, it considers committed amounts used first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. Kandiyohi County's desired minimum level of unrestricted fund balance is a five-month average of operating expenditures during the previous year. This amount of unrestricted fund balance should provide the County with adequate funds until the next property tax revenue collection cycle.

The County Auditor/Treasurer is authorized to evaluate, classify, and assign fund balance in accordance with GASB Statement 54. In governmental funds other than the General Fund, the assignment must follow Kandiyohi County's intent for the specific purpose of the individual funds. Therefore, all remaining positive fund balances in the special revenue, debt service, and capital projects funds are classified as assigned.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

13. 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.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

At December 31, 2016, the Ditch Special Revenue Fund had a deficit fund balance of $115,330. The deficit will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

72 ditches with positive balances	$	453,363
30 ditches with deficit balances		(568,693)
Net Fund Balance	$	(115,330)

At December 31, 2016, the Regional Treatment Center Special Revenue Fund had a deficit fund balance of $67,453. This deficit is expected to be eliminated through the collection of future lease payments and possible transfers from other County funds.

B. Expenditures in Excess of Budget

The following nonmajor funds has expenditures in excess of budget for the year ended December 31, 2016:

	Expenditures		Budget		Excess	
Special Revenue Funds						
Capital Equipment	$	1,001,018	$	-	$	1,001,018
Green Lake Sewer		1,385,139		1,287,368		97,771
Health and Human Services Building		1,181,144		858,600		322,544

2. Stewardship, Compliance, and Accountability

B. Expenditures in Excess of Budget (Continued)

The excess of expenditures over budget was funded by budgeted revenues and available fund balances.

C. Tax Abatements

The County entered into property tax abatement agreements with various developers, under Minn. Stat. §§ 469.1812 through 469.1815, as amended. Under the statute, a political subdivision may grant a current or prospective abatement of property taxes if it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement and it will provide benefits such as increasing or preserving the tax base or providing employment in the County.

MinnWest Technology Campus Management Company

The County entered into a property tax abatement agreement with MinnWest Technology Campus Management Company on February 2, 2016, for a period of ten years effective in the years 2016 through 2025. The abatement will equal 100 percent share of ad valorem property taxes received by the County from the tax abatement property. Contractual stipulations require County payments to not exceed a total amount of $686,600. The County provided a tax abatement in the form of a tax refund in the amount of $14,445 for 2016. The developer agrees to renovate, expand, and further develop the MinnWest Technology Campus owned and operated by making infrastructure and capital investments on and expanding the campus. Further, the developer agrees to create a minimum of 175 full-time equivalent jobs and to spend $8 million on capital projects and improvements by December 31, 2025.

William P. & Deborah D. Donner and Oil Air Products, LLC

The County entered into a property tax abatement agreement with William P. & Deborah D. Donner and Oil Air Products, LLC, on November 11, 2015, for a period of eight years effective in the years 2015 through 2022. The abatement will equal 100 percent share of ad valorem property taxes received by the County from the tax abatement property during 2015 through 2017; 75 percent during 2018 through 2020;

2. Stewardship, Compliance, and Accountability

C. Tax Abatements

William P. & Deborah D. Donner and Oil Air Products, LLC (Continued)

and 50 percent during 2021 and 2022. Contractual stipulations require County payments not to exceed a total amount of $82,291. The County will provide a tax abatement in the form of a tax refund; however, it did not make a payment during 2016. The developer agrees to relocate its existing manufacturing business in order to facilitate the expansion of the business in the County and expand the workforce to 12 - 15 full-time employees.

Peaceful Thymes Gifts, Garden & Hardware

The County entered into a property tax abatement agreement with Peaceful Thymes Gifts, Garden & Hardware on July 2, 2013, for a period of five years effective in the years 2013 through 2017. The abatement will equal a portion of the County's share of property tax derived from the project. Contractual stipulations require that the County's payments do not exceed a total amount of $2,500. The County provided a tax abatement in the form of a tax refund in the amount of $1,000 for 2016. The developer agrees to relocate an existing greenhouse, gift shop, and coffee bar to a new, larger location that allows for adding a hardware line to the business, which would meet a vital community need that was lost due to a fire that destroyed the previous hardware building.

Cronen Cabinet and Flooring

The County entered into a property tax abatement agreement with Cronen Cabinet and Flooring on November 15, 2011, for a period of five years effective in the years 2013 through 2018. The abatement will equal a portion of the County's share of property tax derived from the project. Contractual stipulations require that the County's payments do not exceed a total amount of $5,000. The County provided a tax abatement in the form of a tax refund in the amount of $1,128 for 2016. The developer agrees to construct a 6,532-square foot production warehouse and retail facility on land that previously held a small single-family housing unit in proof condition. The County believes that the new construction will draw customers from throughout the County to the community of Kandiyohi and will keep the current business and younger owners from leaving the community.

2. Stewardship, Compliance, and Accountability

C. Tax Abatements (Continued)

Torgerson Properties, Inc.

The County entered into a property tax abatement agreement with Torgerson Properties, Inc., on May 7, 2013, for a period of ten years effective in 2016 through 2025. The abatement will equal the lessor of $39,000 annually, or 100 percent of the increased portion of the County's share of ad valorem property taxes on the property derived from the value of the project during 2016 through 2020; the lesser of $29,775 annually, or 75 percent of the County's share of ad valorem property taxes during 2021 through 2023; and the lesser of $19,850 annually, or 50 percent of the County's share of ad valorem property taxes during 2024 and 2025. Contractual stipulations require the County's payments do not exceed a total amount of $327,525. The County will provide a tax abatement in the form of a tax refund; however, it did not make a payment during 2016. The developer agrees to construct additions to the lodging facilities existing on real property located in the City of Willmar. The developer further agrees to renovate and expand the existing hotel, restaurant, and convention facilities with corresponding interior and exterior improvements to bring the buildings up to code. Further, the developer agreed to create a minimum of 25 full-time equivalent jobs by January 1, 2016, and to pay a wage that, with benefits, exceeds $12 per hour.

Gus Wurdell - Regency East Trailer Park

The County entered into a property tax abatement agreement with Gus Wurdell on December 16, 2014, for a period of eight years effective in the years 2015 through 2022. The abatement will equal 100 percent of the County's share of ad valorem property taxes received by the County from the tax abatement property during 2015 through 2019 and 75 percent of the County's share of the property taxes during 2020 through 2022. Contractual stipulations require the County payments do not exceed 10 percent of the current tax levy. The County will provide a tax abatement in the form of a tax refund; however, it did not make a payment during 2016. The developer agrees to redevelop the Regency East Trailer Park to accommodate the introduction of new mobile homes.

2. Stewardship, Compliance, and Accountability

C. Tax Abatements (Continued)

Rockstar Willmar - Kandi Mall Rehab Project

The County entered into a property tax abatement agreement with Rockstar Willmar on September 6, 2016, for a period of ten years effective in 2017 through 2026. The abatement will equal 100 percent of the County's share of the increase in ad valorem property taxes generated by the property during 2017 through 2024 and 80 percent of the County's share of ad valorem property taxes in 2025 and 2026. Contractual stipulations require the County payments do not exceed 10 percent of the current net tax capacity, or $200,000 per year, and the total abatement will not exceed $604,901. The County will provide a tax abatement in the form of a tax refund; however, it did not make a payment during 2016. The developer agrees to renovate the existing structure and construct a new facility with an estimated market value of $6,722,000. Further, the developer agrees that within two years after completion of the new and redeveloped facility's occupation for business, at least 60 new jobs will be created at a minimum of $12 per hour.

Little Crow Golf Association, LLC, and Glacial Ridge Hospitality, LLC

The County entered into a property tax abatement agreement with Little Crow Golf Association, LLC, and Glacial Ridge Hospitality, LLC, on October 4, 2016, for a period of ten years effective in 2020 through 2029. The abatement will equal 100 percent of the County's share of the increased ad valorem property taxes during 2020 through 2027 and 80 percent of the County's share of the property taxes during 2028 and 2029. The increase in property taxes will be over the 2016 base tax capacity of $4,893. Contractual stipulations require the County payments do not exceed 10 percent of the net tax capacity or $200,000, whichever is greater, and the total abatement does not exceed $720,780. The County provided a tax abatement in the form of a tax refund in the amount of $19,500 for 2016. The developer agrees to demolish the existing structure and construct a new facility with an estimated completed market value of $6,850,000. The County expects the new facility will help retain and expand commercial and industrial enterprise in the County and provide employment opportunities in the County.

3. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	69,064,455
Statement of fiduciary net position		
Cash and pooled investments		1,424,669
Total Cash and Pooled Investments	$	70,489,124

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank 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 other than complying with the requirements of Minnesota statutes. As of December 31, 2016, the County's deposits were not exposed to custodial credit risk.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

(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.

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 in the possession of an outside party. The County does not have a policy on custodial credit risk. The Bremer repurchase agreement has custodial credit risk. At December 31, 2016, $2,464,184 of the County's investments were subject to 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.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Concentration of Credit Risk (Continued)

The following table presents the County's deposit and investment balances at December 31, 2016, and information relating to potential investment risks:

	Credit Risk	Less Than 1 Year	1 - 5 Years	More Than 5 Years	Total Fair Value
U.S. government securities/bonds					
Federal Home Loan Bank	Aaa	$ 417,729	$ 516,768	$ 196,952	$ 1,131,449
Federal National Mortgage Association	Aaa	-	425,942	29,653	455,595
Federal Home Loan Mortgage Corporation	Aaa	114,970	478,817	191,608	785,395
Federal Farm Credit Bank	Aaa	149,428	4,547,443	7,989,983	12,686,854
Tennessee Valley Authority	Aaa	-	529,224	-	529,224
Total U.S. government securities/bonds		$ 682,127	$ 6,498,194	$ 8,408,196	$ 15,588,517
U.S. government Treasury notes	Aaa	256,052	390,767	-	646,819
State and local government taxable revenue bonds	Aaa/Aa3/ Aa2/Aa1/ N/R	25,002	7,733,526	2,249,014	10,007,542
Repurchase agreements	N/R	4,681,136	-	-	4,681,136
Investment pools - MAGIC Fund	N/R	29,356,136	-	-	29,356,136
Money market accounts with brokers	N/R	496,128	-	-	496,128
Negotiable certificates of deposit	N/R	-	4,708,042	482,699	5,190,741
Total Investments		$ 35,496,581	$ 19,330,529	$ 11,139,909	$ 65,967,019
Deposits					4,519,590
Petty cash					2,515
Total Cash and Pooled Investments					$ 70,489,124

N/R - Not rated

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At December 31, 2016, the County had the following recurring fair value measurements:

		Fair Value Measurement Using		
	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. government agencies	$ 15,588,517	$ 12,270,263	$ 3,318,254	$ -
U.S. Treasury securities	646,819	646,819	-	-
Taxable municipal bonds	10,007,542	124,294	9,883,248	-
Negotiable certificates of deposit	5,190,741	-	5,190,741	-
Money market funds	496,128	-	496,128	-
Total Investments Included in the Fair Value Hierarchy	$ 31,929,747	$ 13,041,376	$ 18,888,371	$ -
Investments measured at the net asset value (NAV)				
Repurchase agreement	$ 4,681,136			
MAGIC Portfolio	16,356,136			
MAGIC Term	13,000,000			
Total Investments Measured at the NAV	$ 34,037,272			

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Debt securities classified in Level 1 are valued using a market approach quoted in active markets for those securities. Debt securities classified in Level 2 are valued using the following approaches:

- U.S. Government Agencies: a market approach by utilizing quoted prices for identical securities in markets that are not active;
- Taxable Municipal Bonds: a market approach using quoted prices for similar securities in active markets;
- Negotiable Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices; and
- Money Market Funds: a market approach using published fair value per share (unit) for each fund.

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member. The MAGIC fund currently consists of the MAGIC Portfolio and the MAGIC Term Series.

The MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

The County invests in a repurchase agreement through the banks sweep accounts. These accounts have daily liquidity and funds can be accessed anytime.

2. Receivables

Receivables as of December 31, 2016, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Funds		
Receivables		
Taxes	$ 430,103	$ -
Special assessments	12,992,966	12,935,735
Accounts	2,677,699	2,040,414
Accrued interest	175,238	-
Due from other governments	3,631,897	-
Long-term	107,331	88,665
Total Receivables	$ 20,015,234	$ 15,064,814

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Long-Term Receivable

In November 2007, the County sold the Boy's Group Home and the Girl's Group Home on a contract for deed. The sales price was $280,000. This amount is to be paid over 15 years with no interest. Future collections are to be received in monthly installments of $1,556. This long-term receivable is reported in the County Building Special Revenue Fund.

3. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 6,482,739	$ 124,608	$ -	$ 6,607,347
Construction in progress	7,496,188	4,962,975	3,295,850	9,163,313
Total capital assets not depreciated	$ 13,978,927	$ 5,087,583	$ 3,295,850	$ 15,770,660
Capital assets depreciated				
Landfill	$ 6,441,352	$ 3,986,183	$ 309,900	$ 10,117,635
Buildings	45,791,617	239,218	30,897	45,999,938
Machinery, vehicles, furniture, and equipment	16,563,063	2,897,046	571,320	18,888,789
Infrastructure	141,684,291	381,258	-	142,065,549
Software	315,482	-	-	315,482
Total capital assets depreciated	$ 210,795,805	$ 7,503,705	$ 912,117	$ 217,387,393
Less: accumulated depreciation for				
Landfill	$ 1,562,594	$ 238,751	$ -	$ 1,801,345
Buildings	15,148,126	1,058,255	22,042	16,184,339
Machinery, vehicles, furniture, and equipment	11,391,813	1,070,904	415,078	12,047,639
Infrastructure	33,281,684	3,208,025	-	36,489,709
Software	289,379	21,584	-	310,963
Total accumulated depreciation	$ 61,673,596	$ 5,597,519	$ 437,120	$ 66,833,995
Total capital assets depreciated, net	$ 149,122,209	$ 1,906,186	$ 474,997	$ 150,533,398
Governmental Activities Capital Assets, Net	$ 163,101,136	$ 6,993,769	$ 3,770,847	$ 166,324,058

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities	
General government	$ 585,269
Public safety	820,283
Highways and streets, including depreciation of infrastructure assets	2,627,516
Sanitation	1,337,390
Human services	16,926
Culture and recreation	27,522
Conservation of natural resources	182,613
Total Depreciation Expense - Governmental Activities	$ 5,597,519

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2016, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General	Human Services	$ 11,684	Charges for services rendered and supplies provided
	Sanitary Landfill/ Recycling Center	148	Charges for services rendered and supplies provided
	Nonmajor	1,775	Charges for services rendered and supplies provided
Total due to General Fund		$ 13,607	
Road and Bridge	Nonmajor	$ 4,901	Charges for services rendered
Human Services	General	$ 650	Charges for services rendered
Sanitary Landfill/Recycling Center	General	$ 63	Charges for services rendered
Nonmajor	Road and Bridge	$ 31,961	Charges for services rendered
Total Due To/From Other Funds		$ 51,182	

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

3. Detailed Notes on All Funds

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

2. Advance To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General	Nonmajor	$ 125,000	Eliminate negative cash balance

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2016, consisted of the following:

Transfer to General Fund from County Building Fund	$ 200,000	County's share of Grass Lake Funds
Transfer to nonmajor funds from Debt Service Fund	22,549	To report current expenditures in the Green Lake Sewer Fund
Total Interfund Transfers	$ 222,549	

C. Liabilities and Deferred Inflows of Resources

1. Construction and Other Commitments

The County has active construction projects as of December 31, 2016. The remaining commitment for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2016.

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 $580 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 seven eligible participants. The County finances the plan on a pay-as-you-go basis. During 2016, the County expended $32,960 for these benefits.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Unearned Revenues/Deferred Inflows of Resources

Deferred inflows of resources consist of taxes, special assessments, and state and federal grants receivable not collected soon enough after year-end to pay liabilities of the current period and advance state aid allotments received by the County but not yet appropriated by the State of Minnesota. Unearned revenues consist of state and federal grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2016, are summarized below by fund:

	Taxes	Charges for Services	Special Assessments	Grants and Highway Allotments	Other	Total
Major governmental funds						
General	$ 180,254	$ -	$ 1,574,692	$ 20,913	$ 38,721	$ 1,814,580
Special Revenue						
Road and Bridge	49,589	-	-	2,185,917	4,289	2,239,795
Human Services	74,431	-	-	295,533	-	369,964
Sanitary Landfill/ Recycling Center	-	1,232,009	-	-	32,188	1,264,197
County Building	4,981	-	-	-	3,062	8,043
Debt Service	20,076	-	10,104,830	-	-	10,124,906
Capital Projects	-	-	657,719	-	-	657,719
Nonmajor funds	21,779	507,013	1,118,109	-	29,415	1,676,316
Total	$ 351,110	$ 1,739,022	$ 13,455,350	$ 2,502,363	$ 107,675	$ 18,155,520
Liability						
Unearned revenue	$ -	$ -	$ -	$ 20,913	$ -	$ 20,913
Deferred inflows of resources						
Unavailable revenue	351,110	1,739,022	13,455,350	1,814,001	107,675	17,467,158
Advance from other governments	-	-	-	667,449	-	667,449
Total	$ 351,110	$ 1,739,022	$ 13,455,350	$ 2,502,363	$ 107,675	$ 18,155,520

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
General obligation bonds					
2005B G.O. Road Reconstruction Bonds	2017	$125,000 - $270,000	3.75 - 4.25	$ 3,700,000	$ 175,000
2014A G.O. Law Enforcement Facility Refunding Bonds	2021	$425,000 - $1,285,000	2.00 - 3.00	7,295,000	5,810,000
2014B G.O. Solid Waste Bonds	2022	$240,000 - $270,000	2.00	1,785,000	1,545,000
2016A G.O. Refunding Bonds	2030	$390,000 - $625,000	2.00	6,910,000	6,910,000
Total General Obligation Bonds				$ 19,690,000	$ 14,440,000
Special assessment bonds with government commitment					
2008A G.O. Wastewater Revenue Bonds	2017	$215,000 - $425,000	3.00 - 4.80	$ 6,100,000	$ 4,695,000
2010A G.O. Sewer and Water Revenue Bonds	2032	$225,000 - $435,000	3.00 - 4.00	6,245,000	5,310,000
2010B G.O. Sewer and Water Revenue Refunding Bonds	2022	$380,000 - $480,000	1.10 - 3.45	4,220,000	2,665,000
2012 G.O. Sewer and Water Revenue Refunding Bonds	2023	$75,000 - $305,000	1.275	3,085,000	1,720,000
Total Special Assessment Bonds with Government Commitment				$ 19,650,000	$ 14,390,000
Capital lease with government commitment					
16-Bed Community Behavioral Health Hospital	2018	$148,415 - $227,959	4.57	$ 3,710,000	$ 881,471
Loans payable					
2000 Public Facilities Authority Clean Water G.O. Revenue Note	2020	$6,397 - $455,000	2.25	$ 7,188,360	$ 1,761,000
2001 Public Facilities Authority Clean Water G.O. Revenue Note	2021	$3,344 - $228,000	2.25	3,648,450	1,090,000
2002 Public Facilities Authority Clean Water G.O. Revenue Note	2021	$567 - $40,000	2.14	651,000	193,000
2006A Public Facilities Authority Clean Water G.O. Revenue Note	2026	$178,876 - $216,000	1.00	3,761,876	2,070,000

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
Loans payable (Continued)					
2000 Public Facilities Authority Drinking Water G.O. Revenue Note	2019	$3,054 - $158,450	3.54	2,262,450	459,450
2001 Public Facilities Authority Drinking Water G.O. Revenue Note	2020	$1,409 - $70,000	3.54	1,012,260	266,000
2006B Public Facilities Authority Wastewater Infrastructure G.O. Revenue Note	2032	$9,124 - $109,000	0.00	1,208,124	1,208,124
Hawk Creek Watershed Continuation Clean Water Partnership Project	2020	$26,804	2.00	483,701	180,346
Shakopee Creek Headwaters Continuation CleanWater Partnership Project	2018	$11,515	2.00	207,794	44,931
Crow River Basin Clean Water Partnership Project	2021	$23,752	2.00	370,772	177,982
Shakopee Creek Headwaters Continuation Clean Water Partnership Project	2021	$14,408	2.00	166,331	87,299
Hawk Creek Watershed Continuation Clean Water Partnership Project	2023	$26,799	2.00	407,235	293,455
Crow River Watershed - Reducing Surface Water Runoff Project	2024	$16,678	2.00	300,971	231,246
Chippewa River Accelerated Restoration Clean Water Partnership Project	2025	$11,526	2.00	168,862	153,447
Hawk Creek Watershed Nitrogen Reduction Clean Water Partnership Project	2026	$20,517	2.00	370,239	370,239
Chippewa River Accelerated Restoration Clean Water Partnership Project	2026	$17,227	2.00	310,868	310,868
Chippewa River Watershed Protection Project Clean Water Partnership Project*	2028	$11,526	2.00	208,000	94,949
Hawk Creek Watershed Upgrade Implement Clean Water Partnership Project*	2029	$23,053	2.00	416,000	34,940
Crow River SSTS Restoration Project Clean Water Partnership Project*	2029	$20,171	2.00	364,000	22,209
City of New London USDA Rural Development	2029	$85,000 - $125,000	2.00 - 3.10	1,735,000	1,370,000
Total Loans Payable				$ 25,242,293	$ 10,419,485

*The outstanding balance for these loans represents the amount received from the Minnesota Pollution Control Agency as of December 31, 2016. The County has not finished drawing down funds on these loans; therefore, final debt payment schedules are not available. The following payment schedule does not include the debt service requirements on these loans.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

On November 10, 2016, the County issued $6,910,000 General Obligation Refunding Bonds, Series 2016A, with an interest rate of 2.0 percent to refund $2,165,000 of outstanding General Obligation Road Reconstruction Bonds, Series 2005B, with an average interest rate of 4.0 percent and $4,745,000 of General Obligation Bonds, Series 2008A, with an average interest rate of 4.5 percent. The 2005B bonds, except for $175,000, were redeemed in 2016 in order to reduce its total debt service payments by $532,080 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $309,178. The 2008A bonds will be redeemed in 2017 in order to reduce its total debt service payments by $858,844 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $860,502.

5. Debt Service Requirements

Debt service requirements at December 31, 2016, were as follows:

Year Ending	General Obligation Bonds		Special Assessment Bonds	
December 31	Principal	Interest	Principal	Interest
2017	$ 1,500,000	$ 290,070	$ 5,720,000	$ 400,396
2018	1,870,000	281,800	1,045,000	272,195
2019	1,940,000	232,375	1,080,000	247,881
2020	1,990,000	181,450	1,100,000	220,138
2021	2,110,000	128,125	830,000	191,836
2022 - 2026	3,230,000	332,800	2,235,000	651,493
2027 - 2031	1,800,000	65,100	1,945,000	287,500
2032	-	-	435,000	8,700
Total	$ 14,440,000	$ 1,511,720	$ 14,390,000	$ 2,280,139

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Debt Service Requirements (Continued)

Year Ending December 31	Capital Lease Principal	Capital Lease Interest	Loans Principal	Loans Interest
2017	$ 430,914	$ 35,419	$ 1,443,687	$ 183,604
2018	450,827	15,506	1,478,189	151,746
2019	-	-	1,487,104	119,240
2020	-	-	1,331,111	86,241
2021	-	-	771,087	58,989
2022 - 2026	-	-	2,188,087	149,746
2027 - 2031	-	-	1,450,000	16,755
2032	-	-	118,122	-
Total	$ 881,741	$ 50,925	$ 10,267,387	$ 766,321

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ 12,390,000	$ 6,910,000	$ 4,860,000	$ 14,440,000	$ 1,500,000
Special assessment bonds with government commitment	15,650,000	-	1,260,000	14,390,000	5,720,000
Add: premium on bonds	457,850	190,606	88,724	559,732	-
Less: discount on bonds	(123,713)	-	(78,617)	(45,096)	-
Total bonds payable	$ 28,374,137	$ 7,100,606	$ 6,130,107	$ 29,344,636	$ 7,220,000
Capital lease	1,293,622	-	411,881	881,741	430,914
Loans payable	11,405,773	310,609	1,296,897	10,419,485	1,443,687
Estimated liability for landfill closure/postclosure	7,263,679	-	862,587	6,401,092	-
Compensated absences	4,234,168	405,329	318,582	4,320,915	101,074
Governmental Activities Long-Term Liabilities	$ 52,571,379	$ 7,816,544	$ 9,020,054	$ 51,367,869	$ 9,195,675

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

6. Changes in Long-Term Liabilities (Continued)

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

General	$ 240,897
Road and Bridge Special Revenue	2,385,000
Sanitary Landfill/Recycling Center	240,000
Debt Service	3,936,000
Nonmajor	1,026,881
Total Debt Reductions	$ 7,828,778

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. 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). PERA administers the General Employees Retirement Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

4. Pension Plans and Other Postemployment Benefits

   A. Defined Benefit Pension Plans

      1. Plan Description (Continued)

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

      2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph 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 their public service.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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 General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive 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 remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Plan and Public Employees Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2016.

In 2016, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Fund members	9.75
Public Employees Police and Fire Plan	16.20
Public Employees Correctional Plan	8.75

The employee and employer contribution rates did not change from the previous year.

The County's contributions for the year ended December 31, 2016, to the pension plans were:

General Employees Retirement Plan	$ 1,325,459
Public Employees Police and Fire Plan	398,033
Public Employees Correctional Plan	228,026

The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Plans and Other Postemployment Benefits

   A. Defined Benefit Pension Plans (Continued)

      4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of $22,612,819 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.2785 percent. It was 0.2860 percent measured as of June 30, 2015. The County recognized pension expense of $2,908,050 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $88,049 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

County's proportionate share of the net pension liability	$	22,612,819
State of Minnesota's proportionate share of the net pension liability associated with the County		295,293
Total	$	22,908,112

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The County reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 1,850,023
Changes in actuarial assumptions	4,427,608	-
Difference between projected and actual investment earnings	4,319,608	-
Changes in proportion	-	925,679
Contributions paid to PERA subsequent to the measurement date	720,653	-
Total	$ 9,467,869	$ 2,775,702

The $720,653 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 1,529,510
2018	1,529,510
2019	2,095,685
2020	816,809

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of $10,233,594 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.255 percent. It was 0.261 percent measured as of June 30, 2015. The County recognized pension expense of $1,726,526 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $22,950 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Public Employees Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The County reported its proportionate share of the Public Employees Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 1,182,831
Changes in actuarial assumptions	5,631,994	-
Difference between projected and actual investment earnings	1,570,629	-
Changes in proportion	-	200,816
Contributions paid to PERA subsequent to the measurement date	212,029	-
Total	$ 7,414,652	$ 1,383,647

The $212,029 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 1,248,184
2018	1,248,184
2019	1,248,184
2020	1,119,008
2021	955,416

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2016, the County reported a liability of $4,968,270 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 1.36 percent. It was 1.33 percent measured as of June 30, 2015. The County recognized pension expense of $1,405,115 for its proportionate share of the Public Employees Correctional Plan's pension expense.

The County reported its proportionate share of the Public Employees Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 3,890	$ 52,482
Changes in actuarial assumptions	3,165,386	-
Difference between projected and actual investment earnings	555,301	-
Changes in proportion	4,987	-
Contributions paid to PERA subsequent to the measurement date	122,553	-
Total	$ 3,852,117	$ 52,482

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

The $122,553 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 1,181,637
2018	1,181,637
2019	1,207,124
2020	106,684

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was $6,039,691.

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for the Public Employees Police and Fire Plan and the Public Employees Correctional Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009. The experience study for the Public Employees Correctional Plan was for the period 2006 through 2011.

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will implement the changes in assumptions for its June 30, 2017, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police and Fire Plan and the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056, and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057, for the Public Employees Police and Fire Plan and June 30, 2059, for the Public Employees Correctional Plan, when projected benefit payments exceed the Plans' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan and 5.31 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions (Continued)

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

8. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 32,116,904	4.60%	$ 14,325,673	4.31%	$ 7,480,680
Current	7.50	22,612,819	5.60	10,233,594	5.31	4,968,270
1% Increase	8.50	14,784,039	6.60	6,890,054	6.31	3,006,851

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

Four County Commissioners of Kandiyohi County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Kandiyohi County during the year ended December 31, 2016, were:

	Employee	Employer
Contribution amount	$ 8,131	$ 8,131
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description

In addition to the pension benefits described in Note 4.A., the County at times has provided other postemployment health care benefits for retired employees as stated in Note 3.C.2. The authority to provide these benefits is established in Minn. Stat. § 471.61, subd. 2a.

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Kandiyohi County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Early retirees (under age 65) contribute to the health care plan at the same rate as active employees. This results in the early retirees receiving an implicit rate subsidy. For fiscal year 2016, the County contributed $115,438 to the plan; there were 411 participants in the plan. The OPEB liability is liquidated through the General Fund, Road and Bridge and Human Services Special Revenue Funds, and other governmental funds with personal services expenditures.

Annual OPEB Cost and Net OPEB Receivable

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB receivable from the plan.

ARC	$ 148,987
Interest on net OPEB receivable	(9,226)
Adjustments to ARC	14,088
Annual OPEB cost (expense)	$ 153,849
Contributions made	(115,438)
Increase (Decrease) in net OPEB receivable	$ 38,411
Net OPEB Obligation/(Receivable) - Beginning of Year	(263,596)
Net OPEB Obligation/(Receivable) - End of Year	$ (225,185)

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Receivable (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB receivable for 2016 and the preceding two years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Receivable)
December 31, 2014	$ 186,018	$ 191,179	10.28%	$ (309,088)
December 31, 2015	185,562	140,070	75.50	(263,596)
December 31, 2016	153,849	115,438	75.00	(225,185)

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial liability for benefits was $1,206,562, and the actuarial valuation of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $1,206,562. The covered payroll (annual payroll of active employees covered by the plan) was $22,072,072, and the ratio of the UAAL to the covered payroll was 5.5 percent.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of the benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 percent investment rate of return (net of administrative expenses), which is Kandiyohi County's implicit rate of return on the General Fund, and an annual health care cost trend cost of 6.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 7 years. Both rates included a 2.5 percent inflation assumption. The actuarial value of assets is set equal to the market value of assets. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2016, was 21 years.

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 $6,401,092 with no remaining capacity to be filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

5. Summary of Significant Contingencies and Other Items

A. Landfill Closure and Postclosure Care Costs (Continued)

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, 2016, cash and investments of $7,388,030 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 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 Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County is self-insured for employee dental coverage. For other risks, the County carries commercial insurance. There were no significant reductions in insurance coverage from the previous year or settlements in excess of 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 $500,000 per claim in 2016 and 2017. 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.

5. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

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.

The County contributed $35 per month for each participating employee in 2016. 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, 2016 and 2015. The following discloses the claims activity during fiscal years 2016 and 2015.

	Year Ended December 31	
	2016	2015
Beginning liability	$ -	$ -
Current year claims	279,142	255,151
Claim payments	(279,142)	(255,151)
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.

5. Summary of Significant Contingencies and Other Items

C. Contingent Liabilities (Continued)

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgements, and litigation. 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.

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 Youth Program 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, 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.

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.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently, its members include Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; and Southwest Health and Human Services representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties. The Board is headquartered in Windom, Minnesota, where Des Moines Valley Health and Human Services (DVHHS) acts as fiscal host.

The Board takes actions and enters into such agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction a system of care that serves 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.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained by contacting DVHHS at 11 Fourth Street, Windom, Minnesota 56111.

Crow River Joint Powers Agreement

In April 1999, the County entered into a joint powers agreement with Carver, Hennepin, McLeod, Meeker, Pope, Renville, Sibley, Stearns, and Wright Counties creating the Crow River Joint Powers Agreement. The Agreement is authorized by Minn. Stat. §§ 103B.311 and 103B.315. The Prairie County Resource Conservation and Development Council is the fiscal agent for this Joint Powers Agreement.

The Board of Directors meets at least two times per year, or more often if needed, at the location to be set by the chair of the Joint Powers Board. The purpose of this Agreement is the joint exercise of powers by the member 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.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Crow River Joint Powers Agreement (Continued)

The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds. Current financial statements are not available.

Central Minnesota Emergency Services Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39. As of June 1, 2011, the Central Minnesota Regional Radio Board changed its name to the Central Minnesota Emergency Services Board. Members include the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

The Central Minnesota Emergency Services Board is composed of one Commissioner of each county appointed by its respective County Board and one City Council member from the city appointed by its City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

In the event of dissolution of the Central Minnesota Emergency Services Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent it shared in the original expense.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2016, Kandiyohi County contributed $10,888 to the Joint Powers Board.

Complete financial information can be obtained from Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street North, St. Cloud, Minnesota 56301.

Coordinated Enforcement Effort VI Task Force

The Coordinated Enforcement Effort (CEE) VI Task Force was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Chippewa, Kandiyohi, Meeker, Swift, and Yellow Medicine Counties; and the Cities of Appleton, Clara, Cosmos, Benson, Granite Falls, Litchfield, Montevideo, and Willmar.

Control of the Task Force is vested in a Board of Directors comprised of 13 members. The Board consists of the department heads or a designee from each participating full-time member agency.

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 contributed $201,448 in funds to the Task Force. In an agent capacity, Kandiyohi County reports the cash transactions of the CEE VI Task Force in the Agency Fund on its financial statements.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Putting All Communities Together for Families Collaborative

Putting All Communities Together for Families Collaborative (PACT) was established in 1996 by a joint powers agreement among Kandiyohi, Meeker, Renville, and Yellow Medicine Counties. Effective January 1, 2011, an additional joint powers agreement was entered into to add McLeod County as a fifth County partner to PACT. As a result, the name was changed from PACT 4 Families Collaborative to PACT for Families Collaborative. The joint powers agreements were established to provide coordinated services to children and families. Kandiyohi County has no operational or financial control over the Collaborative.

A county may withdraw from PACT by giving a 30-day written notice to PACT; however, the contribution will remain in the integrated fund for the implementation period. In the event of termination, any property acquired as a result of the agreement and any surplus monies on hand shall be distributed to the parties of this agreement in proportion to their contributions.

Management of PACT is vested in an Executive Board composed of nine members representing all counties. The Board includes an administrative representative of social services, public health services, community corrections, school districts, two parents (one parent of a child diagnosed with a serious emotional disturbance), and three members at large, one of whom is of a mental health background. The Board appoints a fiscal agent to handle and be responsible for safekeeping the funds of PACT.

McLeod County has acted as fiscal agent for PACT since January 1, 2016.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Southern Prairie Community Care

As of February 4, 2014, the Southern Prairie Health Purchasing Alliance changed its name to Southern Prairie Community Care. Kandiyohi County entered into a joint powers agreement on June 26, 2012, with Chippewa, Cottonwood, Jackson, Lincoln, Lyon, Murray, Nobles, Redwood, Rock, Swift, and Yellow Medicine Counties to establish the Southern Prairie Health Purchasing Alliance pursuant to the provisions of Minn. Stat. § 471.59. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Redwood, and Rock Counties in this agreement. The purpose of the Joint Powers is to plan, formulate, operate, and govern a rural care delivery system to improve the health and quality of life of the citizens of member counties. The Joint Powers Board is composed of one representative from each county.

Pioneerland Regional Library System

Kandiyohi County, along with 32 cities and 9 other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional library service. The Pioneerland Library System is governed by the Pioneerland Library System Board composed of 35 members appointed by member cities and counties. During the year, Kandiyohi County contributed $363,300 to the System.

Separate financial information can be obtained at Pioneerland Regional Library System, 410 - 5th Street Southwest, Willmar, Minnesota 56201.

Kandiyohi-Renville Community Health Board

The Kandiyohi-Renville Community Health Board was established in January 2013 by a joint powers agreement between Renville County and Kandiyohi County. The agreement was made to establish a Community Health Board delegating certain duties to a local board of health to allow the residents of each county to enjoy more efficient local public health services and provide the foundation for a strong local public health system. The Community Health Board is governed by a seven-member board made up of two County Commissioners from each county, one community member from each county, and one at-large community member appointed by the governing board using an alternating rotation of appointment.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Kandiyohi-Renville Community Health Board (Continued)

Complete financial information may be obtained at Kandiyohi County Health and Human Services, 2200 - 23rd Street Northeast, Suite 1080, Willmar, Minnesota 56201-6600.

E. Jointly-Governed Organization

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

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 1989 Minn. Laws, 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 EDC is a special taxing district and financed through levies. Kandiyohi County, in a fiscal host capacity, reports the cash transactions of the EDC in the Agency Fund on its financial statements. Complete financial information for the EDC can be obtained at Kandiyohi County and City of Willmar Economic Development Commission, 222 - 20th Street Southeast, Willmar, Minnesota 56201.

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies

The HRA is reporting as of and for the year ended June 30, 2016.

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

B. Capital Assets

Capital assets are stated at historical or estimated historical cost and are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 70 years.

C. Deposits and Investments

The HRA's cash and investments as of June 30, 2016, are summarized as follows:

Unrestricted	
Cash on deposit	$ 1,091,054
Investments (certificates of deposit)	1,080,475
Restricted	
Cash on deposit	108,123
Total	$ 2,279,652

In accordance with Minnesota statutes, the HRA maintains deposits at depository banks authorized by the Board. The carrying amount of the HRA's deposits with financial institutions was $2,279,652 as of June 30, 2016; the bank balance was $2,416,933.

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.

6. Kandiyohi County Housing and Redevelopment Authority (HRA)

C. Deposits and Investments (Continued)

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 or guaranteed obligations that are issues of 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 restricted in Minnesota statutes;

(d) bankers' acceptances of United States banks;

(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

(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.

D. Receivables

Receivables for the HRA at June 30, 2016, were as follows:

Taxes	$ 275,956
Accounts	272,222
Rent	15,811
Total Receivables	$ 563,989

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

E. Capital Assets

The HRA's capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 1,148,157	$ -	$ -	$ 1,148,157
Landscaping	23,444	3,800	-	27,244
Work in progress	-	96,512	-	96,512
Total capital assets not depreciated	$ 1,171,601	$ 100,312	$ -	$ 1,271,913
Capital assets depreciated				
Building	$ 11,935,536	$ 82,462	$ 5,720	$ 12,012,278
Furniture and equipment	344,991	36,334	19,178	362,147
Development cost	4,903,972	-	-	4,903,972
Total capital assets depreciated	$ 17,184,499	$ 118,796	$ 24,898	$ 17,278,397
Less: accumulated depreciation	14,442,228	203,537	24,898	14,620,867
Total capital assets, depreciated, net	$ 2,742,271	$ (84,741)	$ -	$ 2,657,530
Total Capital Assets, Net	$ 3,913,872	$ 15,571	$ -	$ 3,929,443

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

Business-type activities	
Country View Place	$ 17,997
Public Housing	149,487
Housing Project	36,053
Total Depreciation Expense	$ 203,537

F. Payables

Payables for the HRA at June 30, 2016, were as follows:

Accounts	$ 185,347
Accrued payroll and payroll taxes	119,009
Accrued interest payable	3,886
Other accrued liabilities	51,631
Total	$ 359,873

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

G. 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.

H. Long-Term Debt

Long-term debt outstanding at June 30, 2016, 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	2031	4.70 - 8.75	$ 1,530,000	$ 1,006,013
Minnesota Housing Finance Agency	2035	0.00	158,409	158,409
Bridges RTC	N/A	0.00	2,000	2,000
Total			$ 1,690,409	$ 1,166,422

The estimated debt service requirements as of June 30, 2016, are as follows:

Year Ending	Principal	Interest	Total
2017	$ 52,422	$ 44,829	$ 97,251
2018	54,940	42,311	97,251
2019	57,578	39,673	97,251
2020	60,343	36,908	97,251
2021	63,241	34,010	97,251
2022 - 2026	364,789	121,468	486,257
2027 - 2031	354,700	29,135	383,835
2032 - 2036	-	-	-
2037 - 2040	158,409	-	158,409
Total	$ 1,166,422	$ 348,334	$ 1,514,756

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

I. Lease Agreement

The HRA entered into a three-year lease commencing November 1, 2015, for office space with Kandiyohi County. Under the terms of the lease, the HRA is required to make monthly lease payments to the County in the amount of $4,128. Total HRA rental expense for the year ended June 30, 2016, totaled $49,588.

The HRA's future minimum rental payments are summarized as follows:

	Amount
2017	$ 49,530
2018	49,530
Total	$ 99,060

J. 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.

K. Contingencies

The HRA receives grant funds, principally from the U.S. Department of Housing and Urban Development (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.

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

L. Special Item

Under an intergovernmental agreement between the Kandiyohi County Housing and Redevelopment Authority and the Housing and Redevelopment Authority In and For the City of Willmar (HRA of Willmar), the HRA of Willmar agreed to transfer operations of the Bridges to Bridges, Bridges RTC programs and Highland Apartments to the Kandiyohi County Housing and Redevelopment Authority. During the fiscal year ending June 30, 2016, the HRA of Willmar transferred the assets and liabilities of these programs.

M. Subsequent Events

Subsequent to June 30, 2016, the HRA of Willmar will transfer all programs, properties, other assets, and liabilities to other entities. Upon completion of all transfers, the HRA of Willmar will cease to do business. The Rural Development Intermediary Relending Program along with the program's assets and liabilities will be transferred to the City of Willmar and Kandiyohi County Economic Development Commission. All other programs, properties, other assets, and liabilities will transfer to the Kandiyohi County Housing and Redevelopment Authority.

This page was left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 16,112,033	$ 16,112,033	$ 16,125,049	$ 13,016
Special assessments	-	-	297,837	297,837
Licenses and permits	418,700	418,700	523,397	104,697
Intergovernmental	3,669,469	3,669,469	6,153,481	2,484,012
Charges for services	4,291,000	4,291,000	4,473,234	182,234
Fines and forfeits	73,500	73,500	105,416	31,916
Gifts and contributions	-	-	14,065	14,065
Investment earnings	100,000	100,000	580,703	480,703
Miscellaneous	531,700	531,700	939,857	408,157
Total Revenues	**$ 25,196,402**	**$ 25,196,402**	**$ 29,213,039**	**$ 4,016,637**
Expenditures				
Current				
General government				
Board of County Commissioners	$ 396,600	$ 396,600	$ 348,444	$ 48,156
Court system	28,000	28,000	5,895	22,105
Law library	60,000	60,000	40,288	19,712
County administrator	267,600	267,600	154,405	113,195
Passport	30,000	30,000	31,825	(1,825)
Auditor	750,000	750,000	680,122	69,878
License bureau	374,400	374,400	355,417	18,983
External audit	82,500	82,500	84,588	(2,088)
Assessor	501,200	501,200	563,286	(62,086)
Human resources	192,500	192,500	168,316	24,184
Data processing	749,400	749,400	897,968	(148,568)
Communications	-	-	23,901	(23,901)
Computer maintenance	-	-	150	(150)
GIS services	75,000	75,000	330,196	(255,196)
Elections	64,200	64,200	79,132	(14,932)
County attorney	1,368,900	1,368,900	1,301,250	67,650
County attorney's contingent	-	-	23,990	(23,990)
Recorder	441,100	441,100	422,618	18,482
Surveyor	112,300	112,300	112,211	89
Grounds maintenance building	43,500	43,500	29,701	13,799
Prairie Lakes Youth building	86,400	86,400	48,674	37,726
Courthouse	479,300	479,300	470,744	8,556
County office building	68,100	68,100	58,597	9,503
Veterans service	175,400	175,400	187,461	(12,061)
Planning and zoning	556,500	556,500	574,002	(17,502)
Other general government	865,400	865,400	1,751,018	(885,618)
Total general government	**$ 7,768,300**	**$ 7,768,300**	**$ 8,744,199**	**$ (975,899)**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 4,426,300	$ 4,426,300	$ 4,295,881	$ 130,419
Safe and sober grant	40,000	40,000	58,421	(18,421)
Snowmobile patrol	4,800	4,800	453	4,347
800 MHZ (ARMER) radio system	-	-	75,793	(75,793)
Dispatch center	1,430,200	1,430,200	1,278,021	152,179
Boat and water safety enforcement	44,400	44,400	38,868	5,532
Coroner	92,000	92,000	49,921	42,079
County jail	4,491,400	4,491,400	4,772,410	(281,010)
Community corrections	2,382,300	2,382,300	2,298,244	84,056
Civil defense	237,500	237,500	258,454	(20,954)
Rescue squad	71,200	71,200	128,592	(57,392)
911 emergency telephone	-	-	11,951	(11,951)
Correctional facility building	776,500	776,500	710,927	65,573
Shelter house	38,000	38,000	38,000	-
Total public safety	**$ 14,034,600**	**$ 14,034,600**	**$ 14,015,936**	**$ 18,664**
Health				
Public health service	**$ 2,444,000**	**$ 2,444,000**	**$ 2,257,682**	**$ 186,318**
Culture and recreation				
Celebrations	$ 1,000	$ 1,000	$ 400	$ 600
Humane Society of Kandiyohi County	36,000	36,000	36,000	-
Historical Society	56,200	56,200	60,000	(3,800)
County fair	18,000	18,000	18,000	-
County parks	317,700	317,700	263,879	53,821
Snowmobile trails	-	-	54,739	(54,739)
Total culture and recreation	**$ 428,900**	**$ 428,900**	**$ 433,018**	**$ (4,118)**
Conservation of natural resources				
County extension	$ 191,100	$ 191,100	$ 166,637	$ 24,463
County extension - reimbursement programs	4,000	4,000	-	4,000
Soil and Water Conservation District	131,000	131,000	133,000	(2,000)
Extension programs	-	-	879	(879)
Public drainage	104,900	104,900	99,829	5,071
Prairie Woods Environmental Learning Center	130,900	130,900	130,900	-
Shorelands management project	6,800	6,800	5,253	1,547

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current				
Conservation of natural resources (Continued)				
Septic loan program	-	-	296,823	(296,823)
Water planning	56,000	56,000	70,134	(14,134)
Feedlot program	69,200	69,200	68,491	709
Lakes	329,700	329,700	265,698	64,002
Total conservation of natural resources	**$ 1,023,600**	**$ 1,023,600**	**$ 1,237,644**	**$ (214,044)**
Economic development				
Tourism and economic development	$ 13,000	$ 13,000	$ 4,132	$ 8,868
Region 6E Community Action Agency	30,000	30,000	30,000	-
Total economic development	**$ 43,000**	**$ 43,000**	**$ 34,132**	**$ 8,868**
Debt service				
Principal	$ -	$ -	$ 240,897	$ (240,897)
Interest	-	-	40,778	(40,778)
Total debt service	**$ -**	**$ -**	**$ 281,675**	**$ (281,675)**
Total Expenditures	**$ 25,742,400**	**$ 25,742,400**	**$ 27,004,286**	**$ (1,261,886)**
Excess of Revenues Over (Under) Expenditures	**$ (545,998)**	**$ (545,998)**	**$ 2,208,753**	**$ 2,754,751**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 200,000	$ 200,000
Loans issued	-	-	310,609	310,609
Proceeds from sale of capital assets	-	-	5,575	5,575
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 516,184**	**$ 516,184**
Net Change in Fund Balance	**$ (545,998)**	**$ (545,998)**	**$ 2,724,937**	**$ 3,270,935**
Fund Balance - January 1	**16,117,265**	**16,117,265**	**16,117,265**	**-**
Fund Balance - December 31	**$ 15,571,267**	**$ 15,571,267**	**$ 18,842,202**	**$ 3,270,935**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 4,893,634	$ 4,893,634	$ 4,910,035	$ 16,401
Intergovernmental	11,412,866	11,412,866	7,851,577	(3,561,289)
Charges for services	600,000	600,000	608,802	8,802
Investment earnings	20,000	20,000	11,645	(8,355)
Miscellaneous	-	-	24,888	24,888
Total Revenues	**$ 16,926,500**	**$ 16,926,500**	**$ 13,406,947**	**$ (3,519,553)**
Expenditures				
Current				
Highways and streets				
Administration	$ 581,000	$ 581,000	$ 702,040	$ (121,040)
Road and bridge	3,746,000	3,746,000	2,234,515	1,511,485
Construction	11,451,900	11,451,900	9,233,591	2,218,309
Equipment maintenance shop	400,000	400,000	758,549	(358,549)
Total highways and streets	**$ 16,178,900**	**$ 16,178,900**	**$ 12,928,695**	**$ 3,250,205**
Intergovernmental				
Highways and streets	393,000	393,000	406,530	(13,530)
Debt service				
Principal	268,000	268,000	2,385,000	(2,117,000)
Interest	-	-	130,695	(130,695)
Administrative (fiscal) charges	-	-	1,732	(1,732)
Bond issuance costs	-	-	29,168	(29,168)
Total Expenditures	**$ 16,839,900**	**$ 16,839,900**	**$ 15,881,820**	**$ 958,080**
Excess of Revenues Over (Under) Expenditures	**$ 86,600**	**$ 86,600**	**$ (2,474,873)**	**$ (2,561,473)**
Other Financing Sources (Uses)				
Refunding bonds issued	$ -	$ -	$ 2,165,000	$ 2,165,000
Premium on bonds issued	-	-	68,710	68,710
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 2,233,710**	**$ 2,233,710**
Net Change in Fund Balance	**$ 86,600**	**$ 86,600**	**$ (241,163)**	**$ (327,763)**
Fund Balance - January 1	**6,272,350**	**6,272,350**	**6,272,350**	**-**
Increase (decrease) in inventories	**-**	**-**	**24,795**	**24,795**
Fund Balance - December 31	**$ 6,358,950**	**$ 6,358,950**	**$ 6,055,982**	**$ (302,968)**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 6,669,172	$ 6,669,172	$ 6,579,706	$ (89,466)
Intergovernmental	8,950,410	8,950,410	8,713,439	(236,971)
Charges for services	714,900	714,900	934,129	219,229
Miscellaneous	112,400	112,400	242,583	130,183
Total Revenues	**$ 16,446,882**	**$ 16,446,882**	**$ 16,469,857**	**$ 22,975**
Expenditures				
Current				
Human services				
Income maintenance	$ 4,625,310	$ 4,625,310	$ 4,044,458	$ 580,852
Social services	11,777,751	11,777,751	11,807,860	(30,109)
Total Expenditures	**$ 16,403,061**	**$ 16,403,061**	**$ 15,852,318**	**$ 550,743**
Excess of Revenues Over (Under) Expenditures	**$ 43,821**	**$ 43,821**	**$ 617,539**	**$ 573,718**
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	1,771	1,771
Net Change in Fund Balance	**$ 43,821**	**$ 43,821**	**$ 619,310**	**$ 575,489**
Fund Balance - January 1	**5,407,181**	**5,407,181**	**5,407,181**	**-**
Fund Balance - December 31	**$ 5,451,002**	**$ 5,451,002**	**$ 6,026,491**	**$ 575,489**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
SANITARY LANDFILL/RECYCLING CENTER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 32,000	$ 32,000	$ -	$ (32,000)
Special assessments	-	-	236,000	236,000
Licenses and permits	-	-	1,020	1,020
Intergovernmental	104,000	104,000	223,638	119,638
Charges for services	3,098,000	3,098,000	3,523,430	425,430
Investment earnings	20,000	20,000	58,383	38,383
Miscellaneous	495,000	495,000	481,402	(13,598)
Total Revenues	**$ 3,749,000**	**$ 3,749,000**	**$ 4,523,873**	**$ 774,873**
Expenditures				
Current				
Sanitation				
Solid waste	$ 4,646,300	$ 4,646,300	$ 3,947,389	$ 698,911
Debt service				
Principal	240,000	240,000	240,000	-
Interest	44,550	44,550	33,300	11,250
Administrative (fiscal) charges	2,450	2,450	2,000	450
Total Expenditures	**$ 4,933,300**	**$ 4,933,300**	**$ 4,222,689**	**$ 710,611**
Excess of Revenues Over (Under) Expenditures	**$ (1,184,300)**	**$ (1,184,300)**	**$ 301,184**	**$ 1,485,484**
Other Financing Sources (Uses)				
Transfers in	$ 196,000	$ 196,000	$ -	$ (196,000)
Transfers out	(226,000)	(226,000)	-	226,000
Total Other Financing Sources (Uses)	**$ (30,000)**	**$ (30,000)**	**$ -**	**$ 30,000**
Net Change in Fund Balance	**$ (1,214,300)**	**$ (1,214,300)**	**$ 301,184**	**$ 1,515,484**
Fund Balance - January 1	**14,214,550**	**14,214,550**	**14,214,550**	**-**
Fund Balance - December 31	**$ 13,000,250**	**$ 13,000,250**	**$ 14,515,734**	**$ 1,515,484**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-5

BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 373,185	$ 373,185	$ 369,591	$ (3,594)
Intergovernmental	22,815	22,815	28,534	5,719
Investment earnings	-	-	5,739	5,739
Miscellaneous	-	-	234,436	234,436
Total Revenues	**$ 396,000**	**$ 396,000**	**$ 638,300**	**$ 242,300**
Expenditures				
Current				
General government	$ 145,000	$ 145,000	$ 368,761	$ (223,761)
Public safety	10,000	10,000	139	9,861
Culture and recreation	215,000	215,000	380,751	(165,751)
Conservation of natural resources	26,000	26,000	30,448	(4,448)
Total Expenditures	**$ 396,000**	**$ 396,000**	**$ 780,099**	**$ (384,099)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (141,799)**	**$ (141,799)**
Other Financing Sources (Uses)				
Transfers out	-	-	(200,000)	(200,000)
Net Change in Fund Balance	**$ -**	**$ -**	**$ (341,799)**	**$ (341,799)**
Fund Balance - January 1	**6,126,179**	**6,126,179**	**6,126,179**	**-**
Fund Balance - December 31	**$ 6,126,179**	**$ 6,126,179**	**$ 5,784,380**	**$ (341,799)**

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-6

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2012	$ -	$ 1,651,891	$ 1,651,891	0.00%	$ 19,168,849	8.62%
January 1, 2014	-	1,583,576	1,583,576	0.00	20,520,151	7.72
January 1, 2016	-	1,206,562	1,206,562	0.00	22,072,072	5.47

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

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-7

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Kandiyohi County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.2860%	$ 14,822,004	N/A	$ 14,822,004	$ 16,807,514	88.19%	78.19%
2016	0.2850	22,612,819	$ 295,293	22,908,112	17,278,839	130.87	68.91

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

EXHIBIT A-8

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 1,277,192	$ 1,277,374	$ 182	$ 17,029,220	7.50%
2016	1,325,454	1,325,459	5	17,672,716	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-9

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.261%	$ 2,965,571	$ 2,383,722	124.41%	86.61%
2016	0.255	10,233,594	2,461,411	415.76	63.88

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-10

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 393,580	$ 393,582	$ 2	$ 2,429,504	16.20%
2016	398,033	398,033	-	2,456,992	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-11

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	1.33%	$ 205,618	$ 2,386,041	8.62%	96.95%
2016	1.36	4,968,270	2,566,973	193.55	58.16

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT A-12

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Employee Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 219,246	$ 219,246	$ -	$ 2,505,667	8.75%
2016	228,026	228,026	-	2,606,008	8.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

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

2. Excess of Expenditures Over Budget

The following is a summary of the individual major funds that had expenditures in excess of budget for the year ended December 31, 2016:

	Expenditures	Final Budget	Excess
General Fund	$ 27,004,286	$ 25,742,400	$ 1,261,886
County Building Special Revenue Fund	780,099	396,000	384,099

3. Other Postemployment Benefits Funded Status

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the accrued liability for postemployment benefits is zero. Three actuarial valuations are now available, which provides sufficient trend analysis to meet the three valuation funding status requirement.

See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

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.

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 charges for services.

Green Lake Sewer Fund - to account for funds used by the Green Lake sewer system. Financing is provided by 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 fines and forfeits.

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2016

	Capital Equipment	Ditch	Eagle Lake Sewer	Green Lake Sewer
Assets				
Cash and investments	$ 3,754,475	$ 33,713	$ 304,142	$ 1,878,766
Taxes receivable				
Delinquent	13,081	-	-	-
Special assessments receivable				
Delinquent	-	8,439	-	-
Noncurrent	-	971,625	-	-
Accounts receivable	-	296	323,778	214,940
Accrued interest receivable	29,298	-	117	-
Due from other funds	-	15,032	-	-
Due from other governments	-	125,771	-	81,361
Total Assets	**$ 3,796,854**	**$ 1,154,876**	**$ 628,037**	**$ 2,175,067**
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ -	$ 147,196	$ 43	$ 75,682
Salaries payable	-	-	142	14,506
Due to other funds	-	4,901	-	557
Due to other governments	-	-	11	2,383
Advance from other funds	-	-	-	-
Total Liabilities	**$ -**	**$ 152,097**	**$ 196**	**$ 93,128**
Deferred Inflows of Resources				
Unavailable revenue	**$ 39,851**	**$ 1,118,109**	**$ 323,895**	**$ 183,235**

EXHIBIT B-1

County Library	DARE	Health and Human Services Building	Forfeited Tax Sale	Regional Treatment Center	Total
$ 223,529	$ 55,972	$ 589,614	$ 83,152	$ 28,955	$ 6,952,318
5,934	-	7,405	-	-	26,420
-	-	-	-	-	8,439
-	-	-	-	-	971,625
-	-	183	-	-	539,197
-	-	-	-	-	29,415
-	-	16,929	-	-	31,961
-	1,789	-	-	35,839	244,760
$ 229,463	**$ 57,761**	**$ 614,131**	**$ 83,152**	**$ 64,794**	**$ 8,804,135**
$ 749	$ -	$ 2,799	$ -	$ 3,814	$ 230,283
1,804	-	11,197	-	3,072	30,721
1,000	-	144	-	74	6,676
9,635	1,600	13,865	83,152	287	110,933
-	-	-	-	125,000	125,000
$ 13,188	**$ 1,600**	**$ 28,005**	**$ 83,152**	**$ 132,247**	**$ 503,613**
$ 4,823	**$ -**	**$ 6,403**	**$ -**	**$ -**	**$ 1,676,316**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2016

	Capital Equipment	Ditch	Eagle Lake Sewer	Green Lake Sewer
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)				
Fund Balances				
Restricted for				
Ditch maintenance and repairs	$ -	$ 453,363	$ -	$ -
Committed to				
Purchases of capital equipment	3,757,003	-	-	-
Eagle Lake Sewer	-	-	303,946	-
Green Lake Sewer	-	-	-	1,898,704
Library operations and building maintenance	-	-	-	-
DARE program	-	-	-	-
Health and Human Services building operations and maintenance	-	-	-	-
Unassigned	-	(568,693)	-	-
Total Fund Balances	**$ 3,757,003**	**$ (115,330)**	**$ 303,946**	**$ 1,898,704**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 3,796,854**	**$ 1,154,876**	**$ 628,037**	**$ 2,175,067**

EXHIBIT B-1
(Continued)

County Library	DARE	Health and Human Services Building	Forfeited Tax Sale	Regional Treatment Center	Total
$ -	$ -	$ -	$ -	$ -	$ 453,363
-	-	-	-	-	3,757,003
-	-	-	-	-	303,946
-	-	-	-	-	1,898,704
211,452	-	-	-	-	211,452
-	56,161	-	-	-	56,161
-	-	579,723	-	-	579,723
-	-	-	-	(67,453)	(636,146)
$ 211,452	**$ 56,161**	**$ 579,723**	**$ -**	**$ (67,453)**	**$ 6,624,206**
$ 229,463	**$ 57,761**	**$ 614,131**	**$ 83,152**	**$ 64,794**	**$ 8,804,135**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Capital Equipment	Ditch	Eagle Lake Sewer	Green Lake Sewer
Revenues				
Taxes	$ 994,464	$ -	$ -	$ -
Special assessments	-	592,812	2,000	-
Intergovernmental	60,432	-	-	10,000
Charges for services	-	-	313,426	1,052,818
Fines and forfeits	-	-	-	-
Investment earnings	33,574	-	379	-
Miscellaneous	-	-	-	351,751
Total Revenues	**$ 1,088,470**	**$ 592,812**	**$ 315,805**	**$ 1,414,569**
Expenditures				
Current				
General government	$ 127,517	$ -	$ -	$ -
Public safety	167,533	-	-	-
Highways and streets	645,727	-	-	-
Sanitation	60,241	-	291,000	1,385,139
Culture and recreation	-	-	-	-
Conservation of natural resources	-	649,874	-	-
Intergovernmental				
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	**$ 1,001,018**	**$ 649,874**	**$ 291,000**	**$ 1,385,139**
Excess of Revenues Over (Under) Expenditures	**$ 87,452**	**$ (57,062)**	**$ 24,805**	**$ 29,430**
Other Financing Sources (Uses)				
Transfers in	-	-	-	22,549
Net Change in Fund Balance	**$ 87,452**	**$ (57,062)**	**$ 24,805**	**$ 51,979**
Fund Balance - January 1	**3,669,551**	**(58,268)**	**279,141**	**1,846,725**
Fund Balance - December 31	**$ 3,757,003**	**$ (115,330)**	**$ 303,946**	**$ 1,898,704**

EXHIBIT B-2

County Library	DARE	Health and Human Services Building	Forfeited Tax Sale	Regional Treatment Center	Total
$ 387,012	$ -	$ 347,594	$ -	$ -	$ 1,729,070
-	-	-	-	-	594,812
124,155	-	20,449	-	-	215,036
-	-	-	-	-	1,366,244
-	28,375	-	-	-	28,375
-	-	-	-	-	33,953
38,326	-	577,830	78,047	922,500	1,968,454
$ 549,493	**$ 28,375**	**$ 945,873**	**$ 78,047**	**$ 922,500**	**$ 5,935,944**
$ -	$ -	$ 554,529	$ 78,047	$ 296,090	$ 1,056,183
-	17,025	-	-	-	184,558
-	-	-	-	-	645,727
-	-	-	-	-	1,736,380
202,877	-	-	-	-	202,877
-	-	-	-	-	649,874
363,300	-	-	-	-	363,300
-	-	615,000	-	411,881	1,026,881
-	-	11,615	-	56,277	67,892
$ 566,177	**$ 17,025**	**$ 1,181,144**	**$ 78,047**	**$ 764,248**	**$ 5,933,672**
$ (16,684)	**$ 11,350**	**$ (235,271)**	**$ -**	**$ 158,252**	**$ 2,272**
-	-	-	-	-	22,549
$ (16,684)	**$ 11,350**	**$ (235,271)**	**$ -**	**$ 158,252**	**$ 24,821**
228,136	**44,811**	**814,994**	**-**	**(225,705)**	**6,599,385**
$ 211,452	**$ 56,161**	**$ 579,723**	**$ -**	**$ (67,453)**	**$ 6,624,206**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT B-3

BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,035,993	$ 1,035,993	$ 994,464	$ (41,529)
Intergovernmental	63,607	63,607	60,432	(3,175)
Investment earnings	-	-	33,574	33,574
Total Revenues	**$ 1,099,600**	**$ 1,099,600**	**$ 1,088,470**	**$ (11,130)**
Expenditures				
Current				
General government	$ -	$ -	$ 127,517	$ (127,517)
Public safety	-	-	167,533	(167,533)
Highways and streets	-	-	645,727	(645,727)
Sanitation	-	-	60,241	(60,241)
Total Expenditures	**$ -**	**$ -**	**$ 1,001,018**	**$ (1,001,018)**
Net Change in Fund Balance	**$ 1,099,600**	**$ 1,099,600**	**$ 87,452**	**$ (1,012,148)**
Fund Balance - January 1	**3,669,551**	**3,669,551**	**3,669,551**	**-**
Fund Balance - December 31	**$ 4,769,151**	**$ 4,769,151**	**$ 3,757,003**	**$ (1,012,148)**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT B-4

BUDGETARY COMPARISON SCHEDULE
GREEN LAKE SEWER SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ -	$ -	$ 10,000	$ 10,000
Charges for services	947,640	947,640	1,052,818	105,178
Miscellaneous	306,704	306,704	351,751	45,047
Total Revenues	**$ 1,254,344**	**$ 1,254,344**	**$ 1,414,569**	**$ 160,225**
Expenditures				
Current				
Sanitation	1,287,368	1,287,368	1,385,139	(97,771)
Excess of Revenues Over (Under) Expenditures	**$ (33,024)**	**$ (33,024)**	**$ 29,430**	**$ 62,454**
Other Financing Sources (Uses)				
Transfers in	33,024	33,024	22,549	(10,475)
Net Change in Fund Balance	**$ -**	**$ -**	**$ 51,979**	**$ 51,979**
Fund Balance - January 1	**1,846,725**	**1,846,725**	**1,846,725**	**-**
Fund Balance - December 31	**$ 1,846,725**	**$ 1,846,725**	**$ 1,898,704**	**$ 51,979**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT B-5

BUDGETARY COMPARISON SCHEDULE
COUNTY LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts				Actual		Variance with	
	Original		Final		Amounts		Final Budget	
Revenues								
Taxes	$	406,159	$	406,159	$	387,012	$	(19,147)
Intergovernmental		124,941		124,941		124,155		(786)
Miscellaneous		38,300		38,300		38,326		26
Total Revenues	**$**	**569,400**	**$**	**569,400**	**$**	**549,493**	**$**	**(19,907)**
Expenditures								
Current								
Culture and recreation	$	206,100	$	206,100	$	202,877	$	3,223
Intergovernmental								
Culture and recreation		363,300		363,300		363,300		-
Total Expenditures	**$**	**569,400**	**$**	**569,400**	**$**	**566,177**	**$**	**3,223**
Net Change in Fund Balance	**$**	**-**	**$**	**-**	**$**	**(16,684)**	**$**	**(16,684)**
Fund Balance - January 1		**228,136**		**228,136**		**228,136**		**-**
Fund Balance - December 31	**$**	**228,136**	**$**	**228,136**	**$**	**211,452**	**$**	**(16,684)**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT B-6

BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 817,688	$ 817,688	$ 347,594	$ (470,094)
Intergovernmental	50,012	50,012	20,449	(29,563)
Miscellaneous	495,600	495,600	577,830	82,230
Total Revenues	**$ 1,363,300**	**$ 1,363,300**	**$ 945,873**	**$ (417,427)**
Expenditures				
Current				
General government	$ 533,600	$ 533,600	$ 554,529	$ (20,929)
Debt service				
Principal	325,000	325,000	615,000	(290,000)
Interest	-	-	11,615	(11,615)
Total Expenditures	**$ 858,600**	**$ 858,600**	**$ 1,181,144**	**$ (322,544)**
Net Change in Fund Balance	**$ 504,700**	**$ 504,700**	**$ (235,271)**	**$ (94,883)**
Fund Balance - January 1	**814,994**	**814,994**	**814,994**	**-**
Fund Balance - December 31	**$ 1,319,694**	**$ 1,319,694**	**$ 579,723**	**$ (94,883)**

This page was left blank intentionally.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

FIDUCIARY FUND

Agency Fund - to account for assets held by the County as an agent for other governmental units, individuals, or private organizations.

This page was left blank intentionally.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT C-1

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
Assets				
Cash and investments	$ 1,110,025	$ 73,249,540	$ 72,934,896	$ 1,424,669
Liabilities				
Due to other governments	$ 1,110,025	$ 73,249,540	$ 72,934,896	$ 1,424,669

This page was left blank intentionally.

OTHER SCHEDULES

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2016

	Assets						
	Treasurer's Cash Balance	Special Assessments Receivable		Accounts Receivable	Due From Other Funds	Due From Other Governments	Total Assets
		Delinquent	Noncurrent				
County Ditches							
#4 M & K	$ 1,612	$ 809	$ -	$ -	$ -	$ -	$ 2,421
#7	5,615	-	521	-	-	17	6,153
#8	(35,171)	-	9,911	-	58	300	(24,902)
#9	262	-	4,718	-	47	12	5,039
#9 Lat 1 Br A	22,576	-	-	-	-	-	22,576
#10 Impr C	27,588	4	-	-	-	-	27,592
#12	62	-	2,994	6	146	533	3,741
#15	1,027	-	454	-	-	-	1,481
#16A	17,965	-	-	-	-	-	17,965
#18A	(15,351)	-	605	-	47	183	(14,516)
#19	8,594	3	-	-	-	-	8,597
#20	1,744	-	197	-	7	-	1,948
#23A	11,941	3,024	5,176	15	113	7,053	27,322
#24A	9,401	-	5,021	1	444	1,175	16,042
#24A Lat G	1,806	-	-	-	-	-	1,806
#24A Lat H	3,307	-	-	-	-	-	3,307
#24A Lat H-1	1,245	-	-	-	-	-	1,245
#24A Lat J	1,586	-	813	-	-	144	2,543
#26	(24,354)	-	4,588	-	230	-	(19,536)
#27	6,189	83	17,162	-	220	105	23,759
#28	18,602	-	-	-	-	-	18,602
#28 Impr Br 7	705	-	-	-	-	-	705
#28 Lat A Br 4	7,283	-	-	-	-	-	7,283
#28 Impr Br 5	119	6	5,209	-	504	100	5,938
#29	1,660	-	2,879	-	44	69	4,652
#31 (R/B)	(78,304)	33	547,073	-	3,167	3,084	475,053
#34	1,788	-	1,065	-	18	56	2,927
#37	3,475	601	995	-	1	17	5,089
#38	1,887	-	3,528	-	31	79	5,525
#40 (R/B)	(9,182)	-	-	-	138	568	(8,476)
#42	(10,794)	-	17,949	-	105	73	7,333
#45	452	-	222	-	-	-	674
#46	22,636	-	-	-	-	-	22,636
#47	2,301	-	16,793	94	341	515	20,044
#48	4,804	-	734	-	-	58	5,596
#50	(1,566)	-	3,343	-	63	81	1,921
#51	(2,131)	-	8,017	-	89	86	6,061
#51 Lat A-1	(1,095)	-	1,032	-	146	56	139
#52	3,108	-	-	-	-	-	3,108
#52 Lat A	(188,360)	-	-	-	-	-	(188,360)
#54 Impr	25,432	-	-	-	-	-	25,432
#55	1,165	90	104	7	3	154	1,523
#56	2,564	-	1,646	-	109	205	4,524
#58	3,925	72	3,097	8	98	250	7,450
#60	(10,039)	-	99,821	-	-	631	90,413
#61	1,093	-	-	-	-	-	1,093
#62	699	-	462	-	24	10	1,195
#63	2,016	-	2,486	-	87	92	4,681
#64	(14,626)	-	49,849	-	1,687	719	37,629
#65	(2,511)	-	4,975	-	-	43	2,507
State Ditch							
#1 Impr Div 2	1,899	2	1,847	-	107	19	3,874

Liabilities			Deferred Inflows of Resources	Fund Balance			Total Liabilities, Deferred Inflows of Resources, and Fund Balances
Accounts Payable	**Due to Other Funds**	**Total Liabilities**	**Unavailable Revenue**	**Restricted for Ditch Maintenance and Repairs**	**Unassigned**	**Total Fund Balances**	
$ -	$ -	$ -	$ 809	$ 1,612	$ -	$ 1,612	$ 2,421
-	-	-	538	5,615	-	5,615	6,153
2,735	-	2,735	10,269	-	(37,906)	(37,906)	(24,902)
1,853	-	1,853	4,777	-	(1,591)	(1,591)	5,039
-	-	-	-	22,576	-	22,576	22,576
-	-	-	4	27,588	-	27,588	27,592
2,738	-	2,738	3,679	-	(2,676)	(2,676)	3,741
1,182	-	1,182	454	-	(155)	(155)	1,481
-	-	-	-	17,965	-	17,965	17,965
2,879	-	2,879	835	-	(18,230)	(18,230)	(14,516)
-	-	-	1	8,596	-	8,596	8,597
-	-	-	204	1,744	-	1,744	1,948
9,255	-	9,255	12,469	5,598	-	5,598	27,322
8,659	-	8,659	6,641	742	-	742	16,042
-	-	-	-	1,806	-	1,806	1,806
-	-	-	-	3,307	-	3,307	3,307
-	-	-	-	1,245	-	1,245	1,245
-	-	-	957	1,586	-	1,586	2,543
10,918	-	10,918	4,818	-	(35,272)	(35,272)	(19,536)
8,341	-	8,341	17,567	-	(2,149)	(2,149)	23,759
9,900	-	9,900	-	8,702	-	8,702	18,602
-	-	-	-	705	-	705	705
-	-	-	-	7,283	-	7,283	7,283
-	-	-	5,813	125	-	125	5,938
3,478	-	3,478	2,992	-	(1,818)	(1,818)	4,652
-	-	-	553,357	-	(78,304)	(78,304)	475,053
-	-	-	1,139	1,788	-	1,788	2,927
-	-	-	1,614	3,475	-	3,475	5,089
-	-	-	3,638	1,887	-	1,887	5,525
-	-	-	706	-	(9,182)	(9,182)	(8,476)
-	-	-	18,127	-	(10,794)	(10,794)	7,333
-	-	-	222	452	-	452	674
-	276	276	-	22,360	-	22,360	22,636
-	-	-	17,743	2,301	-	2,301	20,044
-	-	-	792	4,804	-	4,804	5,596
-	-	-	3,487	-	(1,566)	(1,566)	1,921
-	-	-	8,192	-	(2,131)	(2,131)	6,061
230	-	230	1,234	-	(1,325)	(1,325)	139
5,706	-	5,706	-	-	(2,598)	(2,598)	3,108
-	-	-	-	-	(188,360)	(188,360)	(188,360)
-	-	-	-	25,432	-	25,432	25,432
-	-	-	357	1,166	-	1,166	1,523
-	-	-	1,960	2,564	-	2,564	4,524
610	-	610	3,525	3,315	-	3,315	7,450
-	-	-	100,452	-	(10,039)	(10,039)	90,413
-	-	-	-	1,093	-	1,093	1,093
470	-	470	496	229	-	229	1,195
-	-	-	2,665	2,016	-	2,016	4,681
-	3,826	3,826	52,255	-	(18,452)	(18,452)	37,629
-	799	799	5,018	-	(3,310)	(3,310)	2,507
-	-	-	1,975	1,899	-	1,899	3,874

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2016

	Assets						
	Treasurer's Cash Balance	Special Assessments Receivable Delinquent	Special Assessments Receivable Noncurrent	Accounts Receivable	Due From Other Funds	Due From Other Governments	Total Assets
Judicial Ditches							
#1 M & K (Rep F)	25,432	135	8,752	-	154	1,996	36,469
#1 Lat A, M & K	624	-	652	-	1	70	1,347
#1 Lat, M & K	47,524	-	25,704	-	-	-	73,228
#1 Lat B, M & K	5,037	-	1,385	-	171	179	6,772
#1 Lat A of Lat B, M & K	2,298	-	496	-	13	14	2,821
#1 Br 4 of Lat B, M & K	1,516	-	-	-	-	-	1,516
#1 Lat C, M & K	1,960	-	1,227	-	64	409	3,660
#1 Lat D, M & K	383	-	-	-	-	-	383
#1 Lat E, M & K	4,820	-	15,056	-	223	2,669	22,768
#1 Br 2 of Lat F, M & K	2,688	-	-	-	-	-	2,688
#1 Lat G, M & K	1,487	-	-	-	-	-	1,487
#2 R & K	3,506	-	1,502	-	39	19	5,066
#2 Lat 3, R & K	1,455	-	412	-	8	36	1,911
#2 Lat 4, R & K	1,610	-	350	-	47	16	2,023
#2 Lat A of Lat 4, R & K	1,303	-	442	-	24	7	1,776
#2 Lat 5, R & K	4,084	-	837	-	165	4	5,090
#2 Lat 7, R & K	22	-	-	-	-	-	22
#2 Lat 8, R & K	1,155	-	489	-	11	9	1,664
#2 C & K	37,058	-	-	-	-	8,300	45,358
#2 St & K	1,086	-	-	-	48	123	1,257
#3 Lat B, K & C	2,578	-	9,337	-	388	767	13,070
#3 Lat A of Lat B, K & C	6,697	-	-	-	-	-	6,697
#3 Lat C, C & K	5,757	-	1,569	-	56	55	7,437
#3 Lat D, C & K	40,242	-	-	-	-	192	40,434
#3 Impr Br 5 & 6, C & K	2,222	14	1,476	-	54	6	3,772
#3 Impr Br 7 & 8, C & K	(7,484)	3,238	16,938	-	-	1,244	13,936
#3 Impr Br 9, C & K	1,680	-	-	-	-	-	1,680
#3 Impr Br 10, C & K	5	-	25	-	-	-	30
#3 Br 10 of Lat A, C & K	274	-	318	-	10	10	612
#3 St & K	(1,783)	-	10,122	-	-	2,946	11,285
#7 C, K & R & Rep F	(35,927)	123	22,170	157	2,654	39,629	28,806
#7 Lat A, C, K & R	1,465	2	3,397	-	343	1,553	6,760
#7 Lat B, C, K & R	(735)	-	652	-	116	167	200
#7 Lat E, C, K & R	9,231	140	-	-	-	319	9,690
#10 R & K	(17)	-	-	-	-	-	(17)
#11 K & M R/B	2,325	-	2,039	-	171	958	5,493
#16 R & K	6,111	-	1,115	-	66	2,961	10,253
#17 M & K	10,264	19	-	-	-	287	10,570
#17 Rep A, M & K	4,175	-	-	-	-	-	4,175
#17 Br 4 of Lat A, M & K	461	-	-	-	-	-	461
#17 Br 4 of Lat B, M & K	6,600	-	-	-	-	-	6,600
#18 Sw, K & C	332	-	-	-	-	-	332

EXHIBIT D-1
(Continued)

Liabilities: Accounts Payable	Liabilities: Due to Other Funds	Liabilities: Total Liabilities	Deferred Inflows of Resources: Unavailable Revenue	Fund Balance: Restricted for Ditch Maintenance and Repairs	Fund Balance: Unassigned	Fund Balance: Total Fund Balances	Total Liabilities, Deferred Inflows of Resources, and Fund Balances
-	-	-	10,937	25,532	-	25,532	36,469
-	-	-	723	624	-	624	1,347
-	-	-	25,704	47,524	-	47,524	73,228
-	-	-	1,735	5,037	-	5,037	6,772
-	-	-	523	2,298	-	2,298	2,821
-	-	-	-	1,516	-	1,516	1,516
-	-	-	1,700	1,960	-	1,960	3,660
-	-	-	-	383	-	383	383
17,784	-	17,784	17,948	-	(12,964)	(12,964)	22,768
1,444	-	1,444	-	1,244	-	1,244	2,688
-	-	-	-	1,487	-	1,487	1,487
9,262	-	9,262	1,560	-	(5,756)	(5,756)	5,066
-	-	-	456	1,455	-	1,455	1,911
-	-	-	413	1,610	-	1,610	2,023
-	-	-	473	1,303	-	1,303	1,776
-	-	-	1,006	4,084	-	4,084	5,090
-	-	-	-	22	-	22	22
-	-	-	509	1,155	-	1,155	1,664
-	-	-	8,300	37,058	-	37,058	45,358
-	-	-	171	1,086	-	1,086	1,257
-	-	-	10,492	2,578	-	2,578	13,070
-	-	-	-	6,697	-	6,697	6,697
-	-	-	1,680	5,757	-	5,757	7,437
-	-	-	192	40,242	-	40,242	40,434
-	-	-	1,550	2,222	-	2,222	3,772
-	-	-	21,420	-	(7,484)	(7,484)	13,936
-	-	-	-	1,680	-	1,680	1,680
-	-	-	25	5	-	5	30
-	-	-	338	274	-	274	612
3,103	-	3,103	13,068	-	(4,886)	(4,886)	11,285
37,597	-	37,597	64,733	-	(73,524)	(73,524)	28,806
-	-	-	5,295	1,465	-	1,465	6,760
-	-	-	935	-	(735)	(735)	200
1,318	-	1,318	455	7,917	-	7,917	9,690
-	-	-	-	-	(17)	(17)	(17)
-	-	-	3,168	2,325	-	2,325	5,493
4,161	-	4,161	4,142	1,950	-	1,950	10,253
882	-	882	306	9,382	-	9,382	10,570
-	-	-	-	4,175	-	4,175	4,175
-	-	-	-	461	-	461	461
-	-	-	-	6,600	-	6,600	6,600
-	-	-	-	332	-	332	332

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

DITCH BALANCE SHEET
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2016

	Assets						
	Treasurer's Cash Balance	Special Assessments Receivable Delinquent	Special Assessments Receivable Noncurrent	Accounts Receivable	Due From Other Funds	Due From Other Governments	Total Assets
Judicial Ditches (Continued)							
#18 Sw, K & C R/B	(8,204)	41	1,289	8	36	20,227	13,397
#18 M & K	2,543	-	-	-	-	42	2,585
#18 Lat A, M & K	2,394	-	-	-	-	58	2,452
#18 Lat C, M & K	28,285	-	-	-	-	24	28,309
#19 Sw & K	298	-	-	-	-	179	477
#21 R, C & K	230	-	-	-	-	11	241
#21 Sw, K & C	(24,912)	-	18,587	-	2,096	22,978	18,749
#29 Rep B, R, M & K	(191)	-	1	-	-	8	(182)
Rinke Noonan, Attorney	(2,900)	-	-	-	-	812	(2,088)
Total	**$ 33,713**	**$ 8,439**	**$ 971,625**	**$ 296**	**$ 15,032**	**$ 125,771**	**$ 1,154,876**

EXHIBIT D-1
(Continued)

Liabilities: Accounts Payable	Liabilities: Due to Other Funds	Liabilities: Total Liabilities	Deferred Inflows of Resources: Unavailable Revenue	Fund Balance: Restricted for Ditch Maintenance and Repairs	Fund Balance: Unassigned	Fund Balance: Total Fund Balances	Total Liabilities, Deferred Inflows of Resources, and Fund Balances
-	-	-	21,575	-	(8,178)	(8,178)	13,397
1,403	-	1,403	42	1,140	-	1,140	2,585
-	-	-	58	2,394	-	2,394	2,452
-	-	-	24	28,285	-	28,285	28,309
-	-	-	179	298	-	298	477
-	-	-	11	230	-	230	241
1,241	-	1,241	43,661	-	(26,153)	(26,153)	18,749
47	-	47	9	-	(238)	(238)	(182)
-	-	-	812	-	(2,900)	(2,900)	(2,088)
$ 147,196	**$ 4,901**	**$ 152,097**	**$ 1,118,109**	**$ 453,363**	**$ (568,693)**	**$ (115,330)**	**$ 1,154,876**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT D-2

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Total Primary Government	Housing and Redevelopment Authority Component Unit
Appropriations and Shared Revenue		
State		
Highway users tax	$ 6,508,386	$ -
County program aid	1,696,326	-
PERA rate reimbursement	73,608	-
Disparity reduction aid	20,375	-
Police aid	269,425	-
Volunteer retention stipend aid	5,500	-
Enhanced 911	122,728	-
Local performance aid	5,951	-
SCORE	123,847	-
Aquatic invasive species aid	258,707	-
Market value credit	407,949	-
Total appropriations and shared revenue	**$ 9,492,802**	**$ -**
Reimbursement for Services		
State		
Minnesota Department of Human Services	$ 2,839,915	$ -
Minnesota Department of Transportation	57,801	-
Total payments	**$ 2,897,716**	**$ -**
Payments		
Local		
Payments in lieu of taxes	$ 219,212	$ -
Local	156,975	-
Total payments	**$ 376,187**	**$ -**
Grants		
State		
Minnesota Department/Board of		
Agriculture	$ 2,259	$ -
Public Safety	32,797	-
Health	282,215	-
State Colleges and Universities	261	-
Natural Resources	187,976	-
Human Services	2,351,059	-
Veterans Affairs	10,000	-
Corrections	768,408	-
Water and Soil Resources	1,457,352	-
Peace Officer Standards and Training Board	10,005	-
Pollution Control Agency	150,233	-
Total state	**$ 5,252,565**	**$ -**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Total Primary Government	Housing and Redevelopment Authority Component Unit
Grants (Continued)		
Federal		
Department of		
Agriculture	$ 663,119	$ -
Housing and Urban Development	-	1,994,651
Justice	26,344	-
Transportation	1,012,916	-
Education	1,450	-
Health and Human Services	3,435,102	-
Homeland Security	29,588	-
Total federal	**$ 5,168,519**	**$ 1,994,651**
Total state and federal grants	**$ 10,421,084**	**$ 1,994,651**
Total Intergovernmental Revenue	**$ 23,187,789**	**$ 1,994,651**

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

EXHIBIT D-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers		Expenditures
U.S. Department of Agriculture				
Direct				
Conservation Reserve Program	10.069	N/A	$	12,333
Passed Through Kandiyohi-Renville Community Health Board				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not provided		353,372
Passed Through Minnesota Department of Human Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514		258,835
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN127Q7503		33,608
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2520		479
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $292,922)				
Total U.S. Department of Agriculture			**$**	**658,627**
U.S. Department of Justice				
Direct				
State Criminal Alien Assistance Program	16.606	N/A	$	4,439
Passed Through Minnesota Department of Public Safety				
Violence Against Women Formula Grants	16.588	F-VAWA-2015-KANDICO-5534/5885/6260/6794		21,905
Total U.S. Department of Justice			**$**	**26,344**
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	00034	$	1,074,381
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	F-SAFE16-2016-KANDICO-1461/1604/1772/1850		23,081
State and Community Highway Safety (Total State and Community Highway Safety 20.600 $46,229)	20.600	F-ENFRC16-2016-KANDICO-1450/1609/1838/1996		23,148
National Priority Safety Programs (Total Highway Safety Cluster $63,131)	20.616	F-ENFRC16-2016-KANDICO-1461/1772		16,902
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC16-2016-KANDICO-1968		43,060
Total U.S. Department of Transportation			**$**	**1,180,572**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

EXHIBIT D-3
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Education			
Passed Through Kandiyohi-Renville Community Health Board			
Special Education - Grants for Infants and Families	84.181	Not provided	**$ 1,450**
U.S. Department of Health and Human Services			
Direct			
Drug-Free Communities Support Program Grants	93.276	N/A	$ 122,068
Passed Through Kandiyohi-Renville Community Health Board			
Public Health Emergency Preparedness	93.069	Not provided	38,049
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Not provided	562
Universal Newborn Hearing Screening	93.251	Not provided	1,675
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	Not provided	300
Temporary Assistance for Needy Families	93.558	Not provided	61,320
(Total Temporary Assistance for Needy Families 93.558 $715,564)			
Maternal and Child Health Services Block Grant to the States	93.994	Not provided	42,641
Passed Through Minnesota Department of Health			
Immunization Cooperative Agreements	93.268	H23IP000737	1,800
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPSS	9,899
Temporary Assistance for Needy Families	93.558	1601MNTANF	73,272
Temporary Assistance for Needy Families	93.558	1601MFTANF	580,972
(Total Temporary Assistance for Needy Families 93.558 $715,564)			
Child Support Enforcement	93.563	1604MNCSES	50,456
Child Support Enforcement	93.563	1604MNCEST	775,540
(Total Child Support Enforcement 93.563 $825,996)			
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCMA	240
Child Care and Development Block Grant	93.575	G1601MNCCDF	18,366
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRGP	10,241
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	8,341
Foster Care - Title IV-E	93.658	1601MNFOST	261,405
Social Services Block Grant	93.667	16-01MNSOSR	311,287
Chafee Foster Care Independence Program	93.674	G-1601MNCLIP	9,225
Medical Assistance Program	93.778	05-1605MN5ADM	1,245,136
Medical Assistance Program	93.778	05-1605MN5MAP	27,374
(Total Medical Assistance Program 93.778 $1,272,510)			
Total U.S. Department of Health and Human Services			**$ 3,650,169**

EXHIBIT D-3
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	093016	$ 5,125
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2016-KANDICO-1734	24,463
Total U.S. Department of Homeland Security			**$ 29,588**
Total Federal Awards			**$ 5,546,750**

Kandiyohi County did not pass any federal awards through to subrecipients during the year ended December 31, 2016.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Reporting Entity

   The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Kandiyohi County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include $1,994,651 in federal awards expended by the Kandiyohi County Housing and Redevelopment Authority component unit, which had a separate single audit performed by other auditors.

2. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Kandiyohi County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Kandiyohi County, it is not intended to and does not present the financial position or changes in net position of Kandiyohi County.

3. Summary of Significant Accounting Policies

   Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Kandiyohi County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	5,168,519
Grants received more than 60 days after year-end, unavailable in 2016		
Highway Planning and Construction		167,656
Promoting Safe and Stable Families		1,182
Temporary Assistance for Needy Families		237,528
Community-Based Child Abuse Prevention Grants		2,823
Stephanie Tubbs Jones Child Welfare Services Program		1,109
Chafee Foster Care Independence Program		4,225
Unavailable in 2015, recognized as revenue in 2016		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		(4,492)
Child Support Enforcement		(31,800)
Expenditures Per Schedule of Expenditures of Federal Awards	$	5,546,750

Management and Compliance Section

This page was left blank intentionally.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

REBECCA OTTO
STATE AUDITOR

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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*

Independent Auditor's Report

Board of County Commissioners
Kandiyohi County
Willmar, Minnesota

We have audited, 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, the 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 5, 2017. Our report includes a reference to other auditors who audited the financial statements of the Kandiyohi County Housing and Redevelopment Authority (HRA) for the year ended June 30, 2016, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 1996-008, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Kandiyohi County does not administer any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Kandiyohi County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 1996-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Kandiyohi County's Response to Findings

Kandiyohi County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 5, 2017

This page was left blank intentionally.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

REBECCA OTTO
STATE AUDITOR

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Kandiyohi County
Willmar, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Kandiyohi County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. 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.

Kandiyohi County's basic financial statements include the operations of the Kandiyohi County Housing and Redevelopment Authority (HRA) component unit, which expended $1,994,651 in federal awards during the year ended June 30, 2016, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Kandiyohi County HRA because other auditors were engaged to perform a single audit in accordance with the Uniform Guidance.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Kandiyohi County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in

Government Auditing Standards issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Kandiyohi County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 5, 2017

This page was left blank intentionally.

KANDIYOHI COUNTY
WILLMAR, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal programs are:

Highway Planning and Construction	CFDA No. 20.205
Medical Assistance Program	CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was $750,000.

Kandiyohi County qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 1996-008

Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: Due to the limited number of office personnel within the County, segregation of the 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 point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us that it does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

Recommendation: We recommend the County's elected officials and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 1996-003

Ditch Special Revenue Fund - Cash and Equity Balances

Criteria: As stated in Minn. Stat. § 385.04, in part, ". . . every warrant shall be paid only from the cash on hand in the fund from which it may be properly payable." As allowed by Minn. Stat. § 103E.655, subd. 2, loans may be made from ditch systems with surplus funds or from the General Fund to a ditch with insufficient cash to pay expenditures. The loan must be repaid with interest. Also, through the levying of assessments, Minn. Stat. § 103E.735, subd. 1, permits the accumulation of a fund balance for the repair costs of a ditch system, not to exceed 20 percent of the assessed benefits of the ditch system or $100,000, whichever is greater.

Condition: Twenty-two of the 102 individual ditch systems had deficit cash balances totaling $475,637 at December 31, 2016. This amount increased from the prior year when 25 of the 113 individual ditch systems had deficit cash balances totaling $375,215. Thirty of the 102 individual ditch systems had deficit fund balances totaling $568,693 at December 31, 2016. This amount increased from the prior year when 30 of the 113 individual ditch systems had deficit fund balances totaling $464,182.

Context: If the County Board transfers money from another account or fund to a drainage system account, the money plus interest must be reimbursed from the proceeds of the drainage system that received the transfer, under Minn. Stat. § 103E.655, subd. 2. A fund balance to be used for repairs may be established under Minn. Stat. § 103E.735, subd. 1, for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or $100,000, whichever is larger.

Effect: Allowing a ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from other ditch systems or County funds and, as such, is in noncompliance with Minnesota law.

Cause: Ditch expenditures were necessary, ditch levies were not sufficient, and no loans were formally made between ditches or other County funds.

Recommendation: We recommend the County eliminate the ditch system cash and equity deficits by borrowing from an eligible fund with a surplus cash balance and by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

View of Responsible Official: Acknowledged

This page was left blank intentionally.

REPRESENTATION OF KANDIYOHI COUNTY
WILLMAR, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 1996-008
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Karen Anderson

Corrective Action Planned:

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

Anticipated Completion Date:

This is being monitored continually.

Finding Number: 1996-003
Finding Title: Ditch Special Revenue Fund - Cash and Equity Balances

Name of Contact Person Responsible for Corrective Action:

Karen Anderson

Corrective Action Planned:

We issue one year ditch liens each year but because they can't be done until after the ditch work is done, some ditches may show a deficit balance. The ditch fund as a whole has a positive balance.

Anticipated Completion Date:

We continue each year to try and levy so we can build the individual ditch balances up.

This page was left blank intentionally.

REPRESENTATION OF KANDIYOHI COUNTY
WILLMAR, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 1996-008
Finding Title: Segregation of Duties

Summary of Condition: Several of the County's departments that collect fees lack proper segregation of duties.

Summary of Corrective Action Previously Reported: 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 policies and procedures are implemented.

Status: Not Corrected. Management is aware that various offices have been identified to lack segregation of accounting duties and responsibilities. County management continues to evaluate segregation of duties is in place where possible and feasible, and implemented additional supervisor review where needed.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 1996-003
Finding Title: Ditch Special Revenue Fund - Cash and Equity Balances

Summary of Condition: Twenty-five of the 113 individual ditch systems had deficit cash balances totaling $375,215 at December 31, 2015.

Summary of Corrective Action Previously Reported: In 2016, one-year ditch repair liens were levied.

Status: Not Corrected. Management acknowledges this comment but cannot increase assessments on the individual ditches due to landowners not willing to pay for work that will not be completed until future years.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___