



# CITY OF WILLMAR 2006 ANNUAL REPORT



City Attorney  
City Clerk-Treasurer  
Community Ed & Recreation  
Cultural Liaison  
**Finance**  
Fire  
Planning & Development Services  
Police  
Public Works

## PERSONNEL

### Finance

		<u>Empl Date</u>
Finance Director	Steven B. Okins	9/06/1986
Payroll Clerk	Diane Jones	5/01/1973
Accounting Clerk	Shannon Strei	10/01/1993
Accounting Clerk	Carol Gluth	8/21/2000

### Data Processing

Information Systems Coordinator	Mark Boeschen	12/20/04
Information Systems Technician	Peggy Hansen	07/01/06

### City Council Committees – Staff Assignments

#### Finance

Chairman	Denis Anderson	Ward 1
Vice Chairman	Rick Fagerlie	Ward 3
	Jim Dokken	Ward 4
	Steven Gardner	Ward 2

#### Labor Relations

Chairman	Rick Fagerlie	Ward 3
Vice Chairman	Denis Anderson	Ward 1
	Doug Reese	Ward 4
	Steven Gardner	Ward 2

**ANNUAL BUDGET**

**CITY OF WILLMAR, MINNESOTA**

**2006**

**CITY COUNCIL**

**LESTER HEITKE, MAYOR**

**COUNCIL MEMBER DENNIS ANDERSON**

**COUNCIL MEMBER BRUCE DEBLIECK**

**COUNCIL MEMBER RONALD CHRISTIANSON**

**COUNCIL MEMBER STEVE GARDNER**

**COUNCIL MEMBER JAMES DOKKEN**

**COUNCIL MEMBER RICK FAGERLIE**

**COUNCIL MEMBER DOUG REESE**

**COUNCIL MEMBER CINDY SWENSON**

**FINANCE DIRECTOR**

**STEVEN B. OKINS**

**CITY ADMINISTRATOR**

**MICHAEL C. SCHMIT**

## **BUDGET CALENDAR**

<u>CALENDAR</u>	<u>PROPOSED ACTION</u>
APRIL	Mayor, City Administrator and Finance Director to meet on establishing the Budget Calendar.  Finance Committee to adopt Budget Calendar.
MAY	Finance Director to compile information on budget forms pertaining to prior and current year expenditures, prepare preliminary revenue estimates. Send out forms and instructions for annual budget preparation to Department Heads.
JULY	Completed Department Heads estimates must be returned to the Finance Director.
AUGUST	Mayor shall have prepared and submitted the Capital Improvement Program to the City Council. Mayor meets with the City Administrator and Finance Director to prepare the Mayor's Proposed Budget.  Publish notice in the paper telling the public both the proposed Operating and Capital Improvement Budgets are on file and are open for inspection.
SEPTEMBER	Mayor presents Proposed Budget to Finance Committee.  Adopt and Certify Proposed Levy to the County Auditor for the Truth in Taxation Requirements.
OCTOBER – NOVEMBER	GATHER CITIZEN INPUT  Live W.R.A.C. – 8 Broadcast Public Informational Meeting Publish notice in the paper telling the public both the Operating and Capital Improvement Budgets will be discussed at the Truth in Taxation Hearing.
DECEMBER	City Council shall hold Truth in Taxation hearing to study the Proposed Budget. Date determined by County and School District Hearings. Adoption of the Budget.
DECEMBER 31 <sup>st</sup> (no later)	Certification of the Tax Levy to the County.

April 16, 2007

**SEE FINANCIAL STATEMENTS INTRO LETTER TO MAYOR COUNCIL**

Honorable Mayor and  
Members of the City Council

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of Willmar for the fiscal year ended December 31, 2006, is submitted herewith.

The organization, form and content of the report and the accompanying financial statements, supplemental schedules and statistical tables were prepared in accordance with standards set forth by:

1. The Government Accounting Standards Board-GASB
2. The Governmental Finance Officers Association of the  
United States and Canada-GFOA
3. The American Institute of Certified Public  
Accountants-AICPA
4. The National Council of Governmental Accounting-NCGA
5. The Minnesota State Auditor
6. The Willmar City Charter

The format also conforms to the audit guide for “Audits of State and Local Government Units” and the latest edition of “Governmental Accounting, Auditing and Financial Reporting”.

The report is prepared by the City’s finance staff and consists of three sections:

**Section I** is the Introductory Section and contains the letter of transmittal and other appropriate materials.

**Section II** is the Financial Section and contains the Auditor’s opinion, the combined financial statements, notes to the financial statement, the combining and individual fund statements, account group statements, and supplemental schedules.

**Section III** is the Statistical Section which includes previous year’s financial and non-financial data.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures rests with the City. We believe the data as presented is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the public to gain the maximum understanding of the City’s financial activities have been included.

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

The accounting system provides for a complete self-balancing account group for each fund of the City. Accounting records are maintained on the modified accrual basis for the governmental fund types, and the accrual basis of accounting is utilized for the proprietary fund types, as defined in the notes to the financial statement.

In developing and improving the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial reports for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that the cost of a control should not exceed the benefit likely to be derived and the evaluation of costs and benefits requires estimates and judgements by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

A complete budgetary system of accounts is maintained for the General and Special Revenue Funds. Budgetary control is maintained by a review system, whereby purchases are pre-audited as to authorization and availability of funds by Department Directors prior to their release to vendors.

Occasionally various City funds have had deficit cash balances during the year as a result of delayed tax remittances from the County or payment of improvement project costs prior to the sale of the bonds financing the improvements.

The City Charter provides that the budget's fiscal year shall be the calendar year. The Mayor is charged with the responsibility of submitting the budget for all funds, the ensuing fiscal year to the Council by the first meeting of September. Upon adoption of the annual budget resolution by the Council it becomes the formal appropriation budget for City operations. After the budget resolution is adopted, the Council can increase the budget only by appropriating unreserved, undesignated, and designated fund balances or if actual revenues are in excess of estimated revenues.

The financial activities of the City for the Year Ended December 31, 2006, are accounted for in the following fund types and account groups:

### Governmental Fund Types

General

Special Revenue

General Debt Service

Capital Projects

### Fiduciary Fund Types

Trust and Agency

### Proprietary Fund Types

Enterprise

Internal Service

General Fixed Asset Group

General Long-Term Debt Group

The City provides a full range of municipal services, including these:

**A. GENERAL GOVERNMENT**

1. City Administrator
2. Mayor & Council
3. City/Industrial Dev.
4. City Clerk/Treasurer
5. Assessing
6. Finance
7. City Attorney
8. Planning & Zoning
9. City Hall
10. Data Processing
11. Elections/Voter's Reg.

**B. PUBLIC SAFETY**

1. Police Protection
2. Fire Protection/Inspection
3. Building Inspection

**C. PUBLIC WORKS**

1. Engineering
2. Street Maintenance
3. Snow & Ice Removal
4. Signs & Traffic Control
5. Tree Maintenance
6. Waterlines & Hydrants
7. Storm Sewer Mtce.
8. Buildings & Grounds Maintenance

**D. CULTURE AND RECREATION**

1. Library Services
2. Auditorium
3. Community Theater
4. W.R.A.C. -8
5. Convention and Visitors Bureau
6. Buildings & Grounds Planning
7. Leisure Services
8. Civic Center
9. Sr. Citizens Center

**E. UTILITIES**

1. Waste Water Treatment
2. Water
3. Electrical
4. Hot Water Heat

**F. HEALTH**

1. Rice Memorial Hospital
2. Rice Care Center
3. Rice Home Health Care
4. Rice Rehabilitation Center

**G. TRANSPORTATION**

1. Willmar Airport
2. Kandiyohi Area Transit

**CASH MANAGEMENT**

The City's policy is to invest all available monies at competitive interest rates, in accordance with the City's overall investment policy coordinated with operating needs projected monthly.

During the year the City's investment in idle cash ranged from a minimum of 98% to 100% of the total deposits for all funds.

## **GENERAL PURPOSE FINANCIAL SECTION)**

The General Purpose Financial Section will contain financial statements applicable to all City funds. It is intended to give an overview of the financial condition of the City as of December 31, 2006.

### **FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS**

#### **GENERAL FUND**

The General Fund was established for the payment of such expenses of the City, as the Council may deem proper.

As of December 31, 2006, the fund balance of the General Fund totaled **\$ 15,715,468**

Estimated and actual revenues and other financing sources for 2006 are presented in Exhibit B-3 and a comparison of actual revenues with the previous year summarized as follows:

(B-3)	2006		2005		Increase
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>(Decrease)</u>
General Property Taxes	\$ 2,329,488	18.50	\$ 2,264,067	19.13	\$ 65,421
Licenses & Permits	555,631	4.41	582,062	4.92	(26,431)
Fines & Forfeitures	276,797	2.20	230,762	1.95	46,035
Intergovernmental	5,097,586	40.49	4,855,594	41.03	241,992
Charges for Services	722,690	5.74	739,782	6.25	(17,092)
Special Assessments	1,655	.01	810	.01	845
Miscellaneous	1,229,549	9.77	1,216,862	10.29	12,687
Transfer In	<u>2,377,537</u>	<u>18.88</u>	<u>1,945,581</u>	<u>16.44</u>	<u>431,956</u>
<b>TOTAL</b>	<b><u>\$12,590,933</u></b>	<b><u>100.00</u></b>	<b><u>\$11,835,520</u></b>	<b><u>100.00</u></b>	<b><u>\$ 755,413</u></b>

## GENERAL FUND (CONTINUED)

Expenditures compared with the budget are shown in the Exhibit B-4 by activity, and a comparison of actual expenditures and other financing uses by function with the previous year, is summarized as follows:

(B-4)	2006		2005		Increase
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>(Decrease)</u>
General Government	\$ 2,669,518	22.53	\$ 2,562,279	21.57	107,239
Public Safety	3,982,827	33.62	4,099,170	34.52	(116,343)
Public Works	2,994,556	25.28	3,220,235	27.11	(225,679)
Culture & Recreation	1,977,426	16.69	1,628,671	13.71	348,755
Social Services	38,000	.32	16,000	.14	22,000
Non Dept	<u>184,500</u>	<u>1.56</u>	<u>350,100</u>	<u>2.95</u>	<u>(165,600)</u>
<b>TOTAL</b>	<u>\$ 11,846,827</u>	<u>100.00</u>	<u>\$ 11,876,455</u>	<u>100.00</u>	<u>\$ (29,628)</u>

## SPECIAL REVENUE FUNDS

### INDUSTRIAL DEVELOPMENT FUND

This fund was established in 1973 for the purpose of purchasing, improving and selling land for industrial purposes. Starting in 1997 it was decided to use this fund to relocate the present Airport for the future expansion of said Industrial Park. Going forward, combined with the Willmar Fabrication Grant and the Local Option Sales Tax Funds will redevelop the additional land acquired with the Airport relocation.

### LOCAL OPTION SALES TAX

This fund was established in 2006 for the purpose of connecting the Willmar Civic Center, complete the City Walking and Bike path system and the Development of the Land acquired thru the relocation of the Willmar Airport.

As of December 31, 2006, this fund had a balance of \$ 674,897. All of which is designated and restricted to complete the projects listed above. \$ 1,048,963 of sales tax proceeds were designated in 2006 for the Willmar Civic Center Project.

## **SPECIAL REVENUE FUNDS (CONTINUED)**

### **W.R.A.C. – 8 FUND**

This fund was established in 1985 for the purpose of Local Access Programming through the City of Willmar.

As of December 31, 2006, this fund had a balance of **\$ 314,612**; of this amount, **\$34,589** is reserved for 2006 Payables, **\$ -0-** was designated for the 2007 Budget and **\$ 280,023** was designated for future expenditures.

### **CONVENTION & VISITOR'S BUREAU**

This fund was established in 1990 for the purpose of promoting the City of Willmar as a convention and visitors center for West Central Minnesota. This account is funded through the collection of a three- percent lodging tax.

As of December 31, 2006 this fund had a balance of **\$233,352** of which **\$ 20,437** is reserved for 2006 Payables, **\$ -0-** is designated for the 2007 Budget, and **\$ 211,915** is designated for future expenditures.

### **COMMUNITY DEVELOPMENT FUND**

The Community Development Fund was established in 1975 to account for activities of the Community Development Block Grant Program, which provides communities with financial assistance so they can provide better housing, improve living conditions and encourage economic opportunities primarily for persons of low and moderate income. These grants are forwarded on, and administered through the Willmar HRA.

### **TRANSIT SYSTEM FUND**

Since this program was never intended to generate a profit from operations a reclassification was completed at the end of 1989. This fund was reclassified to a Special Revenue Fund from an Enterprise Fund. Starting in July of 1999 it was made a department of the General Fund with the signing of a Joint Powers Agreement with Kandiyohi County.

This fund is being administrated by the Joint Powers Board, as of December 31, 2001.

## SPECIAL REVENUE FUNDS (CONTINUED)

### COMMUNITY INVESTMENT FUND

This fund was created at the end of 1990 solely to pay the capital cost of projects of general benefit to the City of Willmar. This fund is funded by special assessments collected after the improvement costs have been fully paid, investment earnings generated by fund balances and all other monies appropriated by the Council or donated for the purpose of the fund.

Expenditures from the fund for competing projects shall be granted in the following order of preference:

- A. First Priority: projects, which can be funded within the amount of available investment earnings.
- B. Second Priority: projects using principal funds, which have the capacity to repay the amount, borrowed.
- C. Third Priority: projects using principal funds which have no other reasonable funding source, are non-revenue producing, require significant funding, and provide otherwise unattainable community benefit.

Project Expenditures from the fund may be made only after compliance with the following procedures:

- A. The Project must have been included in the City's formally adopted capital improvement program.
- B. The City Council must hold a public hearing on whether the proposed project should be funded.
- C. The City Council must make the following findings:
  1. Project has sufficient community wide benefit.
  2. Project could not occur but for the use of the Community Investment Fund.
  3. Community Investment Fund is not replacing funding from another source.
  4. Project has the ability to reasonable repay the funds.
  5. Estimate of ongoing annual operating and maintenance costs has been made, and source for paying costs identified

As of December 31, 2005, this fund had a balance of **\$ 10,622,379**. Of this amount **\$ 981,853** is reserved for 2006 Payables, **\$-0-** is designated for the 2007 Budget, **\$ 5,140,525** is designated for future projects, and **\$ 4,500,000** is reserved to reduce Bonding Requirements.

## **GENERAL DEBT SERVICE FUND**

This fund was created for the purpose of the retirement of all general obligation debt by means of and valorem taxes, tax increment levies and special assessments.

The City is allowed a Legal Debt Limit of General Obligation Bonds of 2% of the Estimated Market Value, and as of December 31, 2006, there was no Debt applicable to this requirement.

The balance of Tax Increment Debt as of December 31, 2006 amounted to **\$572,359** of which **\$ 539,714** yet needs to be provided.

The balance of Special Assessment Debt as of December 31, 2006, amounted to **\$ 9,605,000** of which **\$ 2,973,499** yet needs to be provided from Special Assessments, Tax Levies or transfers from earnings of the Community Investment Fund.

## **CAPITAL PROJECT FUNDS**

### **STREET/WATER & SEWER FUND**

This is the accumulation of all uncompleted improvement projects. As of December 31, 2006, Work in Progress amounted to **\$ 18,855,386**.

### **TREATMENT PLANT EXPANSION FUND**

This fund was established in 1983 to record receipts and disbursements relative to the expansion of the Waste Treatment Plant.

Expansion of the plant was done in three phases and was funded in the following manner: Federal 75%, State 15% and Local 10%. During 1983 the City sold bonds for \$1,290,000 to finance the local share, repayment to be made from sewer receipts.

Due to the plant odor problem, additional construction of an odor control facility was started in 1988 and completed as of December 31, 1990. To finance the odor control facility the City sold \$3,250,000 worth of General Obligation Revenue Bonds with an increase in sewer rates to repay them.

There was no activity in 1991, 1992, 1993 and 1994, but this fund began to show activity again in 1995, due to plans for a new Waste Treatment/Sludge Storage facility west of Willmar, in St. John's Township. And a new plant to be finished by 2010.

Work in Progress for 2006 amounted to **\$ 4,956,772**

**CAPITAL PROJECT FUNDS (CONTINUED)**

**SURFACE WATER**

This fund was established in 1997 to record costs associated in studying the drainage of the Surface Water for the City. This also includes costs associated with the study of Grass Lake. As of December 31, 2005, Capitalized Costs amounted to **\$ 74,955.**

**AIRPORT EXPANSION**

This fund was established in 1996 to record costs associated with the expansion and possible relocation of the Municipal Airport. As of December 31, 2005, Work in Progress amounted to **\$ 21,203,251.**

**CIVIC CENTER ANNEX**

This fund was established in 1998 to account for the costs associated with the City's portion of the Blue Line Association Building. As of December 31, 2005, Work in Progress amounted to **\$ 1,048,963.**

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## ENTERPRISE FUNDS

### WASTE TREATMENT PLANT

Net profit for 2005 amounted to **\$ 511,897**, compared with a net income of **\$ 896,979** in 2006, a increase in income of **\$ 385,082** from the previous year.

A comparison of the major items of income and expense of the Waste Treatment Plant for the past five years as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Income:					
Service Charges -					
Residential/Comm.	\$ 2,509,567	2,391,729	\$ 2,217,956	\$ 2,094,400	\$ 1,956,223
State Hospital	-0-	-0-	6,699	16,093	19,075
Kandiyohi County	107	727	107	107	-0-
Eagle Lake -					
Residential/Comm.	104,910	98,640	90,999	86,648	81,664
Administration/Acct.	138,620	128,997	118,983	111,409	106,618
Non-Operating	<u>496,845</u>	<u>436,946</u>	<u>295,901</u>	<u>335,791</u>	<u>321,798</u>
Total Income	<u>\$ 3,250,049</u>	<u>\$ 3,057,039</u>	<u>\$ 2,730,645</u>	<u>\$ 2,653,509</u>	<u>\$ 2,485,378</u>
Expenses (Incl. Transfers):					
Personal Services	\$ 771,387	\$ 756,422	\$ 683,259	\$ 649,720	\$ 616,247
Supplies	162,923	144,195	147,932	131,426	128,320
Other Services & Chgs	691,144	877,516	684,494	808,726	797,191
Administration & General	125,000	125,000	115,000	115,000	115,000
Depreciation	<u>602,616</u>	<u>642,009</u>	<u>639,341</u>	<u>618,252</u>	<u>578,052</u>
Total Expenses	<u>\$ 2,353,070</u>	<u>\$ 2,545,142</u>	<u>\$ 2,270,026</u>	<u>\$ 2,323,124</u>	<u>\$ 2,234,778</u>
Net Income (Loss)	<u>\$ 896,979</u>	<u>\$ 511,897</u>	<u>\$ 460,619</u>	<u>\$ 330,385</u>	<u>\$ 250,600</u>

**ENTERPRISE FUNDS (CONTINUED)****RICE MEMORIAL HOSPITAL**

	<b><u>2005</u></b>	<b><u>2006</u></b>
<b>Operating Revenues</b>		
Net Patient Service	\$ 77,538,198	\$ 75,772,703
Net Equipment Sales and Rents	5,397,705	6,195,953
Other Operating	<u>4,259,313</u>	<u>4,785,915</u>
<b>Total Revenues</b>	<b>\$ 87,195,216</b>	<b>\$ 86,754,571</b>
<b>Operating Expenses</b>		
Salaries and Wages	\$ 40,269,101	\$ 39,933,277
Employee Benefits	10,248,867	11,413,998
Supplies and Drugs	12,847,037	12,735,420
Purchased Services	7,123,202	6,435,974
Repairs and Maintenance	3,008,766	3,099,736
Utilities	1,288,898	1,296,752
Other	2,626,352	2,373,702
Depreciation and Amortization	7,800,927	8,652,657
Interest	2,103,385	2,454,612
Taxes and Surcharges	<u>1,492,163</u>	<u>1,777,144</u>
<b>Total Expenses</b>	<b>\$ 88,808,698</b>	<b>\$ 90,173,172</b>
<b>Total Operating Income (Loss)</b>	<b>\$ (1,613,482)</b>	<b>\$ (3,418,601)</b>
Unrestricted Donations	66,210	78,823
Investment Income	415,189	522,220
Unrealized Gain on Investment	25,255	71,356
Gain (Loss) on Disposal of Equipment	(62,787)	2,001
Gain on Investment in Shared Health Resources	19,448	22,500
Gain on Investment in Willmar Surgery Center	<u>609,766</u>	<u>617,251</u>
<b>Total Nonoperating Revenue</b>	<b>\$ 1,073,081</b>	<b>\$ 1,314,151</b>
<b>Deficit of Revenue Over Expenses</b>	<b>\$ (540,401)</b>	<b>\$ (2,104,450)</b>
Restricted Gifts, Bequests, and Grants	171,580	125,981
Expended for Operations	(95,942)	(105,288)
Income From Investments	70,181	39,595
Realized Gain on Investments	88,161	283,394
Unrealized Loss on Investments	(82,464)	(62,870)
Payments for Charity Care	(52,481)	(57,968)
Trustee and Administrative Fees	<u>(16,858)</u>	<u>(22,878)</u>
<b>Net Income (Loss)</b>	<b>\$ (458,224)</b>	<b>\$ (1,904,484)</b>

## **ENTERPRISE FUNDS (CONTINUED)**

### **RICE MEMORIAL HOSPITAL (CONTINUED)**

Nature of Organization – Rice Memorial Hospital is an operating unit (department) of the City of Willmar, and is governed by a seven member Board of Directors appointed by the Mayor and approved by the City Council.

Part of the operation includes a long-term care facility, the Rice Care Center (formerly known as the Christian Nursing Center) which was purchased by the Hospital (City) during 1994; Rice Home Health Care, which provides health care services to clients in their home, and was purchased from Kandiyohi County in October of 1997 and discontinued operations in Fiscal 2001; and Rice Rehab Center, a provider of rehabilitation services which was purchased during 1998, with the program starting January 1999.

Other Related Party transactions include Shared Health Resources where in May 1994, the Hospital made a contribution of land in exchange for a 50% investment in Shared Health Resources (SHR), a limited liability corporation formed by the Hospital (City) and Willmar Properties. SHR was established for the construction and operation of a medical office building located adjacent to the Hospital. The Hospital is accounting for this investment on the equity method.

The Willmar Surgery Center partnership was transferred to Rice Hospital on January 1, 1996 by the Rice Health Foundation. The Surgery Center is a limited liability partnership jointly owned by Affiliated Community Medical Centers, P.A. and the Hospital (City). In consideration for the Foundation transferring its partnership interest in the Surgery Center to the Hospital, the Hospital will pay a percentage (25% in 2000; zero percent thereafter) of the future distributed earnings of the Surgery Center to the Foundation. The Hospital accounts for this investment with the equity method as well.

The Rice Home Medical was formed effective December 31, 1997. This was done when Rice Health Services, previously a wholly owned for profit subsidiary of the Rice Health Foundation, was restructured and renamed as Rice Home Medical, LLC, a limited liability company. On January 2, 1998 per terms of the restructuring, 50% of the new entity was purchased by the Hospital for \$995,000. This investment is also recorded using the equity method.

The Hospital is affiliated, due to its ability to appoint all the members of the Board of Directors, with the Foundation, a non-profit corporation organized to raise funds primarily for the benefit of the Hospital.

## **ENTERPRISE FUNDS (CONTINUED)**

### **WILLMAR MUNICIPAL UTILITIES**

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Operating Revenues			
Electric Energy	\$ 17,344,033	\$ 18,136,738	\$ 18,189,539
Water	1,662,305	1,684,502	1,716,359
Heating	732,025	797,010	732,966
Penalties	129,847	141,443	153,781
Other Operating	156,934	312,254	395,172
Non-Operating	<u>146,111</u>	<u>292,588</u>	<u>474,337</u>
<b>Total Revenues</b>	<b>\$ 20,171,255</b>	<b>\$ 21,364,535</b>	<b>\$ 21,662,154</b>
Operating Expenses			
Production	\$ 2,774,205	\$ 3,017,166	\$ 3,474,716
Purchased Power	9,108,930	10,039,206	9,533,424
Transmission	100,773	97,244	113,200
Distribution	1,125,005	1,070,641	1,089,025
Customer Accounts	501,987	537,711	514,917
Admin & General	2,163,121	2,191,620	2,391,088
Depreciation	1,837,155	1,929,236	1,932,539
Operating Transfers	<u>1,886,496</u>	<u>1,612,300</u>	<u>1,644,600</u>
<b>Total Expenses</b>	<b>\$ 19,497,672</b>	<b>\$ 20,495,124</b>	<b>\$ 20,693,329</b>
<b>Net Income</b>	<b><u>\$ 673,583</u></b>	<b><u>\$ 869,411</u></b>	<b><u>\$ 968,825</u></b>

Nature of the Organization – Willmar Municipal Utilities is an operating unit (department) of the City of Willmar, and is governed by a seven member commission appointed by the Mayor and approved by the Council.

The primary purpose of the Willmar Municipal Utilities is to provide Electric, Water and Hot Water Heating to the residents of Willmar.

Other Related Party transactions include the Utilities (City) participation in the establishment of a Limited Liability Company with Kandiyohi Power Cooperative named Allied Power, LLC. Allied Power was formed to undertake projects and services, which should provide benefits to the customers of both utilities. The investment is recorded on the equity method wherein the Municipal Utilities recognizes its pro-rata share of income or loss annually.

Allied Powers' investment in Entel Corporation will only be reflected by the Municipal Utilities by this method of recognizing Allied Powers profits or losses.

**INTERNAL SERVICE FUNDS**

**OFFICE SERVICE FUND**

The purpose of this fund is to account for revenues and expenses of the department that provides office supplies and services to all other departments. Charges are made to various activities of the City utilizing the service of the Office Service Fund, to produce the revenue for this fund. This fund had a net gain of \$ 10,642 compared to a net gain of \$ 7,451 for 2005.

#### **PERMANENT IMPROVEMENT REVOLVING FUND**

This fund was established to provide financing to other City funds when needed. These loans have to be repaid within five years.

As of December 31, 2006, the fund balance amount totaled \$ 1,191,514, of which \$ -0- was designated for future expenditures and which, \$ 1,016,514 was on loan to other funds.

#### **TRUST AND AGENCY FUNDS (EXHIBIT H)**

This group of funds was established in 1989 to account for donations to the City in memorial of certain individuals, but no usage designated for any grant activity. The primary one administered annually is the \$30,000 trust for the maintenance of Selvig Park.

#### **GENERAL FIXED ASSETS (EXHIBIT I)**

General Fixed Assets is recorded at actual acquisition cost. The allocation of the "Investment in General Fixed Assets" to the different functions was originally done on an estimated basis from the various sources of information available at that time with subsequent changes allocated on an actual cost basis. The total of all General Fixed Assets is \$ 93,150,959. This does not include Enterprise Assets.

#### **GENERAL LONG-TERM DEBT ACCOUNT GROUP (EXHIBIT J)**

The total of all Long-Term Debt is \$ 10,177,359. This does not include Enterprise Debt.

#### **INDEPENDENT AUDIT**

Section 2.09 of the City Charter requires an annual audit to be made of the account books, financial record, and transactions of all administrative departments of the City by a certified public accountant or the State Auditor's department of the State of Minnesota. This requirement will be met, and the report will be audited by the firm Westberg, Eischens, VanBuren, & Ruff Certified Public Accountants. The Rice Memorial Hospital and Willmar Municipal Utilities financial statements were audited by other auditors whose reports thereon have been furnished to my office. Amounts included for the Hospital and Utilities in the Component Unit Column on the City of Willmar's financial statements are based solely on the reports of the other auditors.

#### **CLAIMS AND LITIGATION**

There are a small number of lawsuits pending against the city in which the City is named as defendant or co-defendant. After discussions with the City Attorney, it is my opinion that the claims against the city represented by these lawsuits, not covered by insurance would not materially affect the financial statements to the City.

### **CITY FINANCIAL PROSPECTS FOR PAST AND FUTURE YEARS**

The City has been working very closely with the overlapping taxing districts of Kandiyohi County and, so the area as a region can continue to prosper and grow. Some examples of cooperation are the Airport and Law Enforcement Projects and the Kandiyohi Area Transit system.

The following were goals of the City Council.

#### **Diversity and Multi-Cultural Leadership**

- \*Fill Cultural Liaison Position in 2003
- \*Continue to support and fund Community Marketing Coalition in 2004
- \*Continue to support and fund Community (Chamber) Leadership Program in 2004
- \*Appoint at least two qualified minorities to serve on City Boards/Commissions by 2005
- \*Promote one in 2003 and two in 2004 "Did You Know" segments of minority businesses
- \*Recruit qualified minority applicants to fill vacant City Positions in 2003

#### **Economic Stability and Sustainability**

- \*Develop a plan for 100% retention of major employers by maintaining a viable economic environment (real estate taxes, power supply and cost, technical assistance, infrastructure cost and other local government controls) by end of 2003
- \*Complete Airport project by end of 2004
- \*Secure commitment from DOT to complete 4-lane to I94 by end of 2004
- \*Secure one new employer for creation of at least 100 jobs with livable wages by end of 2004
- \*Complete redevelopment plan of current Airport for industrial park expansion by middle of 2004

#### **Cultural and Leisure Activities**

- \*Develop a list of community projects (September, 2003) to be funded by a sales tax ( July, 2004 )
- \*Develop a Central Business District ethnic Food Plaza by the summer of 2005
- \*Develop a plan and recommendation by June, 2003 for a 135<sup>th</sup> year anniversary celebration to be held in 2005

### **ACKNOWLEDGMENTS**

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire Finance Department staff, as well as, all other City personnel who either reviewed the material in this report, or supplied essential information.

Respectfully submitted,

Steven B. Okins  
Finance Director

**PAYROLL**

The Payroll function, as I mentioned, deals with six (6) employee contracts and all the benefits and withholdings that are required, such as: Federal and State withholdings, Social Security, Medicare, P.E.R.A., Deferred Compensation, Flexible spending accounts, Health, Life, Workers Compensation and Disability Insurance, as well as, all the monthly and quarterly reporting that is required.

Time required in 2005 was routine due to all City contracts being settled thru December 31, 2006.

### **Data Processing**

2005 was the start of the City moving forward to implement the TNT study recommendations by creating and filling two full-time Information Systems positions, one of Coordinator, filled by Michael Sandau and the second one of Technician filled by Mark Boeschen.