

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
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DECEMBER 31, 2017**

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INTRODUCTORY SECTION

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
ORGANIZATION
DECEMBER 31, 2017**

ELECTED	NAME	TERM EXPIRES
Chair	Ken Pesta	12/31/2018
Vice Chair	Dale Katterhagen	12/31/2020
Treasurer	Tom Williamson	12/31/2020
Secretary	Norman Krause	12/31/2018
Board Member	Leland Buchholz	12/31/2018

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Todd Soil and Water Conservation District
Long Prairie, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of Todd Soil and Water Conservation District (District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District'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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Todd Soil and Water Conservation District as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 9 and 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2018, on our consideration of Todd Soil and Water Conservation District'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 solely describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness if the district's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Todd Soil and Water Conservation District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Brainerd, Minnesota
February 8, 2018

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REQUIRED SUPPLEMENTARY INFORMATION

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

This section of Todd Soil and Water Conservation District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the year that ended on December 31, 2017. The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year, 2017, and the prior year, 2016, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 include the following:

- The District's government-wide net position increased to \$326,047 (an increase of \$35,326 over the prior year) due primarily to receipt of state aid beginning in 2017.
- Overall fund-level revenues totaled \$766,167 in 2016 and \$608,020 in 2017. Revenues exceeded expenditures in 2017 primarily due to the receipt of state aid beginning in 2017. Revenues exceeded expenditures in 2016 primarily because of an increase in project related grants.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of three parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

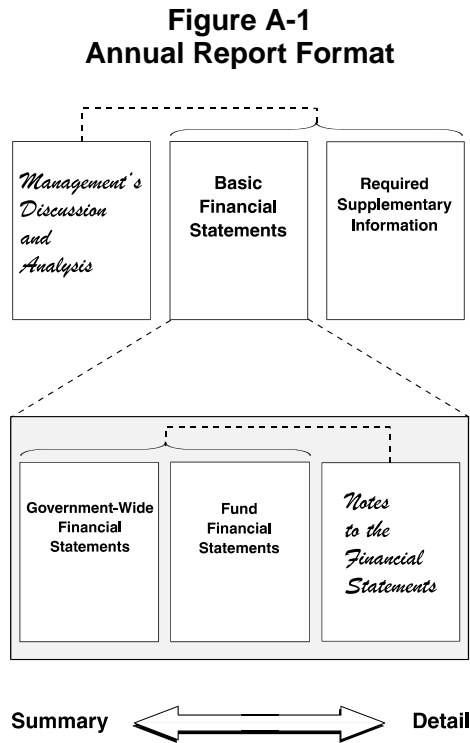
- The District is presenting a combined General Fund balance sheet and statement of net position and a combined statement of revenues, expenditures, and changes in fund balance and statement of activities. These two statements tell how the District did both at a fund level and at a government-wide level.

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-Wide and Fund Financial Statements.		
Type of Statements	Government-Wide.	Governmental Funds.
Scope	Entire District.	The activities of the District that are not proprietary or fiduciary.
Required Financial Statements	Statement of net position.	Balance sheet.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.
Type of Asset/Deferred Outflow/Liability/Deferred Inflow Information	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, short-term and long-term.	Only assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter, no capital assets included.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

The two District-wide portions report the District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's revenue sources and the financial condition of the state.

Fund Financial Statements

The fund portion of the two statements provides more detailed information about the District's fund. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's total net position was \$290,721 on December 31, 2016 and \$326,047 on December 31, 2017. This results in an increase of \$35,326 from 2016 to 2017. The main reason for this increase is due to the District's receipt of state aid beginning in 2017.

Table A-1
The District's Net Position

	Governmental Activities	
	2017	2016
Current and Other Assets	\$ 829,026	\$ 602,874
Current Liabilities	242,639	109,846
Deferred Inflows of Resources	260,340	202,307
Total Liabilities and Deferred Inflows of Resources	502,979	312,153
Net Position		
Restricted	55,249	20,464
Unrestricted	270,798	270,257
Total Net Position	\$ 326,047	\$ 290,721

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE AS A WHOLE (CONTINUED)

Changes in Net Position

The District-wide total revenues were \$766,167 for the year ended December 31, 2016 and \$608,020 for the year ended December 31, 2017. Intergovernmental revenues account for the majority of the District's total revenues.

Table A-2
Statement of Activities

	Governmental Activities		Change
	2017	2016	
Revenues			
Intergovernmental	\$ 560,248	\$ 722,966	(22.5)
Charges for Services	21,839	17,478	25.0
Investment Earnings	541	541	-
Miscellaneous	25,392	25,182	0.8
Total Revenues	<u>608,020</u>	<u>766,167</u>	(20.6)
Expenses			
Conservation	<u>572,694</u>	<u>723,136</u>	(20.8)
Change in Net Position	35,326	43,031	17.9
Net Position - Beginning of Year	<u>290,721</u>	<u>247,690</u>	17.4
Net Position - End of Year	<u><u>\$ 326,047</u></u>	<u><u>\$ 290,721</u></u>	12.2

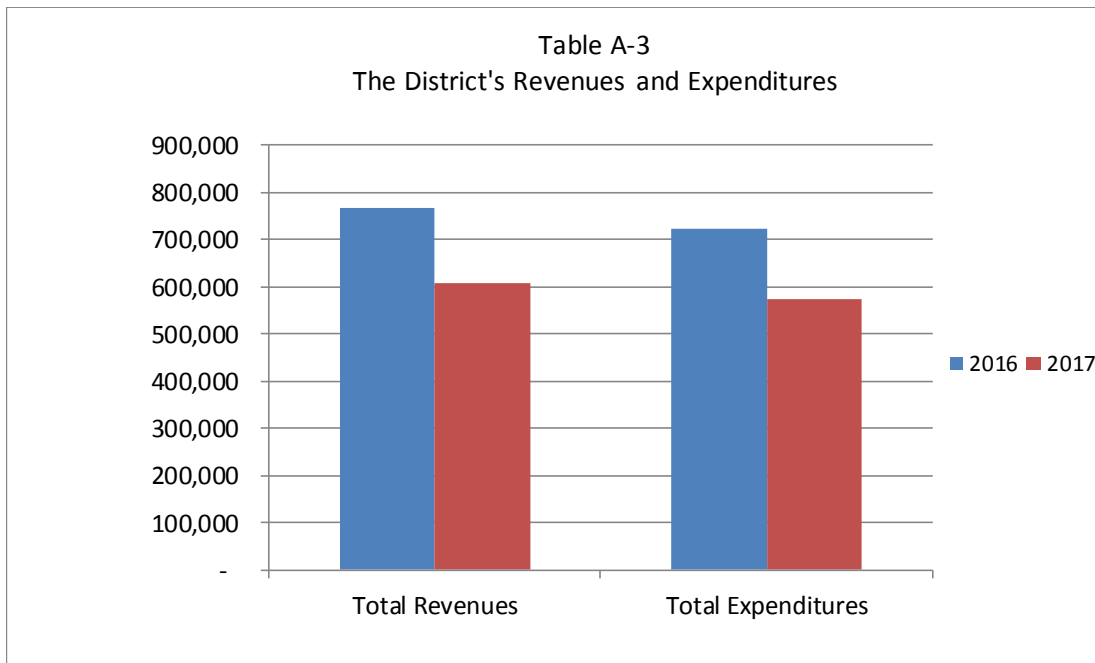
Total revenues surpassed total expenses for 2016 increasing net position by \$43,031 in 2016.
Total revenues surpassed total expenses for 2017 increasing net position by \$35,326 in 2017.

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**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE AT THE FUND LEVEL

The financial performance of the District as a whole is reflected in its governmental fund as well. As the District completed 2016, its governmental fund reported total fund balance of \$290,721, an increase of \$43,031 from the prior year primarily as a result of an increase in grant revenue in 2016. As the District completed 2017, its governmental fund reported total fund balance of \$326,047, an increase of \$35,326 from 2016. Revenues for the District's General Fund were \$766,167 in 2016, while total expenditures were \$723,136. The District's General Fund had revenues of \$608,020 in 2017 and expenditures of \$572,694 in 2017 (see Table A-2). The General Fund includes the primary operations of the District in providing services to citizens. Fund balance increased \$35,326 from 2016 to 2017. This increase was primarily due to receipts of state aid beginning in 2017.



CAPITAL ASSETS

On January 1, 2012, Todd Soil and Water Conservation District disposed of all capital assets as a part of the service agreement with Todd County. As explained in the contract, Todd County obtained all of the capital assets the District already owned and will purchase in the future.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is dependent on the State of Minnesota for a significant portion of its revenue to fund projects.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tim Stieber, Division Director at (320) 732-2644.

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BASIC FINANCIAL STATEMENTS

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES –
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	General Fund	Adjustments	Governmental Activities
ASSETS			
Cash and Pooled Investments	\$ 801,584	\$ -	\$ 801,584
Due From Other Governments	27,442	-	27,442
Total Assets	\$ 829,026	\$ -	\$ 829,026
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 14,628	\$ -	\$ 14,628
Unearned Revenue	224,287	-	224,287
Deposit on Sales	3,724	-	3,724
Total Liabilities	242,639	-	242,639
DEFERRED INFLOWS OF RESOURCES			
Advanced Grant Funds	260,340	-	260,340
FUND BALANCE/NET POSITION			
Fund Balance/Net Position			
Restricted for Conservation	55,249	(55,249)	-
Unassigned Fund Balance	270,798	(270,798)	-
Total Fund Balance	326,047	(326,047)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 829,026		
NET POSITION			
Restricted for Conservation		55,249	55,249
Unrestricted		270,798	270,798
Total Net Position		\$ 326,047	\$ 326,047

See accompanying Notes to Financial Statements.

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE AND GOVERNMENTAL ACTIVITIES – STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	General Fund	Adjustments	Governmental Activities
REVENUES			
Intergovernmental	\$ 560,248	\$ -	\$ 560,248
Charges for Services	21,839	-	21,839
Investment Earnings	541	-	541
Miscellaneous	25,392	-	25,392
Total Revenues	<u>608,020</u>	<u>-</u>	<u>608,020</u>
EXPENDITURES/EXPENSES			
Conservation			
Current	<u>572,694</u>	<u>-</u>	<u>572,694</u>
EXCESS OF REVENUES OVER EXPENDITURES	35,326	-	35,326
Fund Balance/Net Position - Beginning of Year	<u>290,721</u>	<u>-</u>	<u>290,721</u>
FUND BALANCE/NET POSITION - END OF YEAR	<u><u>\$ 326,047</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 326,047</u></u>

See accompanying Notes to Financial Statements.

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Todd Soil and Water Conservation District's (District) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2017. 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 District is discussed below.

A. Financial Reporting Entity

Todd Soil and Water Conservation District was established on March 29, 1965 pursuant to the provisions of Minnesota Statutes Ch. 103C.

The District is governed by a five member Board of Supervisors, nominated by, and elected to four-year terms by the voters of Todd County.

Todd County acts as fiscal agent for the District and reports the District as an agency fund of the County.

The primary activity of the District is to assist land occupiers in applying practices for the conservation of soil and water resources. These practices are intended to control wind and water erosion, pollution of lakes and streams, and damage to wetlands and wildlife habitats.

As required by generally accepted accounting principles, consideration has been given to other organizations that should be included in the District's financial statements for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. There are no organizations that should be presented with the District.

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

B. Basic Financial Statements

Basic financial statements include information on the District's activities as a whole and information on the individual fund of the District. These separate presentations are reported in different columns. Each of the statements starts with a column of information based on activities of the General Fund and reconciles it to a column that reports the "governmental activities" of the District as a whole.

The governmental activities columns are reported on the full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported as restricted and unrestricted. The statement of activities demonstrates the degree to which the expenses of the District are offset by revenues.

The General Fund balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund are presented on the modified accrual basis and report current financial resources.

C. Measurement Focus and Basis of Accounting

The governmental activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Todd Soil and Water Conservation District considers all revenues to be available if they are collected within 60 days after the end of the current period. Charges for services and interest are considered to be 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. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources, when applicable.

When both restricted and unrestricted resources are available for use, it is Todd Soil and Water Conservation District's policy to use restricted resources first, then unrestricted resources as they are needed.

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

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

1. Deposits and Investments

The cash balance is pooled with the Todd County Auditor-Treasurer for the purpose of increasing earnings through investment activities.

2. Receivables and Payables

The financial statements for the District contain no allowance for uncollectible accounts. Uncollectible amounts due for receivables are recognized as bad debts at the time information becomes available that indicates the particular receivable is uncollectible. These amounts are not considered to be material in relation to the financial position or operations of the fund.

3. Unearned Revenues

The General Fund and the government-wide financial statements record unearned revenue for resources that have been received, but not yet earned.

4. Deferred Inflows of Resources

The financial statements for the District contain deferred inflows of resources. A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

5. Fund Balance

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts that are inherently nonspendable or assets that are legally or contractually required to be maintained intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or body delegated to exercise such authority in accordance with policy established by the board. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications.

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

5. Fund Balance (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, and then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

6. Net Position

In the government-wide statement of net position, net position is reported in two parts: (1) restricted net position; and (2) unrestricted net position.

7. 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.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures in Excess of Budget

At December 31, 2017, the District's General Fund had expenditures of \$572,694, which exceeded the final budgeted expenditures of \$87,182. These excess expenditures were funded by revenues in excess of budget.

NOTE 3 DETAILED NOTES ON ALL FUNDS

Assets

A. Deposits and Investments

Cash transactions are administered by the Todd County Auditor-Treasurer, who is, according to Minnesota Statutes §§118A.02 and 118A.04, authorized to deposit cash in financial institutions designated by the County Board for the District.

Minnesota Statutes §§ 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Todd County Board of Commissioners for the District.

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

Assets (Continued)

A. Deposits and Investments (Continued)

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

As of December 31, 2017, all deposits of the District are in the pooled cash of Todd County. For further information related to the District's deposits, the user should view the Todd County deposits disclosure information.

B. Receivables

The District did not have any receivables scheduled to be collected beyond one year as of December 31, 2017.

C. Related-Party Transactions

The District signed an agreement with Todd County, effective January 1, 2012, transferred all capital assets, employees, and long-term liabilities to Todd County. As a result of the agreement, the County initially paid, and was subsequently reimbursed by the District for \$274,221 of expenditures related to District projects during 2017. The District had no project costs payable to Todd County at December 31, 2017.

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

**TODD SOIL AND WATER CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental				
County	\$ 4,777	\$ 4,777	\$ 75,206	\$ 70,429
State Grants	370,295	370,295	485,042	114,747
Total Intergovernmental	<u>375,072</u>	<u>375,072</u>	<u>560,248</u>	<u>185,176</u>
Charges for Services	11,000	11,000	21,839	10,839
Interest Earnings	600	600	541	(59)
Miscellaneous	<u>49,867</u>	<u>49,867</u>	<u>25,392</u>	<u>(24,475)</u>
Total Revenues	<u>436,539</u>	<u>436,539</u>	<u>608,020</u>	<u>171,481</u>
EXPENDITURES				
District Operations				
Other Services and Charges	17,615	17,615	32,392	(14,777)
Project Expenditures				
State	467,897	467,897	515,277	(47,380)
Federal	-	-	25,025	(25,025)
Total Project Expenditures	<u>467,897</u>	<u>467,897</u>	<u>540,302</u>	<u>(72,405)</u>
Total Expenditures	<u>485,512</u>	<u>485,512</u>	<u>572,694</u>	<u>(87,182)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(48,973)	(48,973)	35,326	84,299
Fund Balance - Beginning of Year	<u>290,721</u>	<u>290,721</u>	<u>290,721</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 241,748</u></u>	<u><u>\$ 241,748</u></u>	<u><u>\$ 326,047</u></u>	<u><u>\$ 84,299</u></u>

See accompanying Notes to Required Supplementary Information.

**TODD SOIL AND WATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017**

I. General Fund Policies

The Board of Supervisors adopts estimated revenue and expenditure budgets for the General Fund. Todd County enters the approved budget into the general ledger system.

The budget may be amended or modified at any time by the Board of Supervisors and communicated to Todd County for update on the general ledger system. Expenditures may not legally exceed budgeted revenues. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund.

II. Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

III. Expenditures in Excess of Budget

At December 31, 2017, the District's General Fund had expenditures of \$572,694, which exceeded the final budgeted expenditures of \$87,182. These excess expenditures were funded by revenues in excess of budget.

REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS*



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

Board of Supervisors
Todd Soil and Water Conservation District
Long Prairie, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and General Fund of Todd Soil and Water Conservation District (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Todd Soil and Water Conservation District's internal control over financial reporting (internal control) 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 Todd Soil and Water Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Todd Soil and Water Conservation District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and recommendations as 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

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

Todd Soil and Water Conservation District's Responses to Findings

Todd Soil and Water Conservation District's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. Todd Soil and Water Conservation District'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 and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
February 8, 2018

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**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2017**

MATERIAL WEAKNESSES - FINANCIAL REPORTING

2017-001 FINANCIAL STATEMENT PRESENTATION

Criteria: Todd Soil and Water Conservation District (District) management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements in accordance with generally accepted accounting principles.

Condition: As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to the financial statements.

Context: Management has informed us that they do not have an internal control policy in place over the annual financial reporting and that they do not have the necessary staff capacity to prepare the annual financial statements including footnote disclosures.

Cause: The District has a limited number of personnel with financial reporting experience.

Effect: The design of the controls over the financial reporting process would affect the ability of the District to report its financial data consistently with the assertions of the management in the financial statements.

Recommendation: We recommend that the District be aware of the requirements for fair presentation of the financial statements in accordance with the generally accepted accounting principles. Should the District elect, based upon an analysis of costs and benefits, to establish the full oversight of the financial statement preparation of an appropriate level, we suggest management establish effective review policies and procedures including but not limited to the following functions: reconciling general ledger amounts to the draft financial statements; review of all supporting documentation and explanations for journal entries proposed by us; complete the disclosure checklist; review and approval of schedules and calculations supporting the amounts included in the notes to the financial statements; apply analytic procedures to the draft financial statements; and perform other procedures considered necessary by management.

CLIENT'S RESPONSE:

The District understands that this is required communications for the preparation of the financial statements.

**TODD SOIL AND WATER CONSERVATION DISTRICT
LONG PRAIRIE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

MATERIAL WEAKNESSES (FINANCIAL REPORTING) (CONTINUED)

2017-002 AUDIT ADJUSTMENTS

Criteria: Todd Soil and Water Conservation District's (District) management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions, including account coding, reporting of accruals and net position.

Condition: As part of the audit, we proposed material adjustments for recording of receivables and payables, and reclassifying transactions to the proper accounts and preparing note disclosures.

Context: Management has stated the District has a limited number of personnel to perform the required entries for the year-end financial reporting process.

Cause: The District has a limited number of personnel with financial reporting experience.

Effect: The design of the internal controls over recording transactions and year-end accruals limits the ability of the District to provide accurate accrual basis financial information.

Recommendation: We recommend District management be constantly aware of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.

CLIENT'S RESPONSE:

The District will continue to work at eliminating the need for audit adjustments.

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Supervisors
Todd Soil and Water Conservation District
Long Prairie, 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*, the accompanying financial statements of the governmental activities and General Fund of Todd Soil and Water Conservation District (District), as of December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated February 8, 2018.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65 contains six main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all the listed categories, except that we did not test for compliance with the provisions for tax increment financing due to the District not having any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Todd Soil and Water Conservation District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 Todd Soil and Water Conservation District's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
February 8, 2018