

TODD COUNTY, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017

**TODD COUNTY, MINNESOTA
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DECEMBER 31, 2017**

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INTRODUCTORY SECTION

**TODD COUNTY, MINNESOTA
PRINCIPAL COUNTY OFFICIALS
DECEMBER 31, 2017**

Office	Name	Term Expires
Commissioners		
1 st District	Barb Becker	December 2020
2 nd District	Gary Kneisl	December 2018
3 rd District	Rod Erickson*	December 2020
4 th District	David Kircher	December 2018
5 th District	Randy Neumann**	December 2020
Officers		
Elected		
Attorney	Charles Rasmussen	December 2018
Auditor-Treasurer	Denise Gaida	December 2018
Recorder	Cheryl Perish	December 2018
Registrar of Titles	Cheryl Perish	December 2018
Sheriff	Don Asmus	December 2018
Appointed		
Administrator	Joe Hatch	Indefinite
Assessor	Chris Odden	December 2018
Human Resources Director	Karla Nalezny	Indefinite
Emergency Management Director	Michael Wisniewski	Indefinite
Examiner of Titles	Thomas Sellnow	Indefinite
Highway Engineer	Loren Fellbaum	May 2019
Medical Examiner	Dr. Quinn Strobl	Indefinite
Health and Human Services Director	Jackie Och	Indefinite
Veterans Service Officer	Pete Berscheit	December 2018

* = Chair

** = Vice-Chair

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Todd County
Long Prairie, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Minnesota (the County), as of and for the year ended December 31, 2017, and the related notes of 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.

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 statement 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Minnesota as of December 31, 2017, and the respective changes in financial position and, where applicable, its cash flows 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, budgetary comparison information, schedule of funding progress - other postemployment healthcare benefits, the schedule of the County's proportionate share of the net pension liability, the schedule of the County contributions, and the notes to the required supplementary information, as listed on the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Todd County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of County Commissioners
Todd County

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2018, on our consideration of Todd 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 solely to 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 of 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 Todd County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Brainerd, Minnesota
April 27, 2018

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REQUIRED SUPPLEMENTARY INFORMATION

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

This section of Todd County's (the County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended December 31, 2017. The Management's Discussion and Analysis (MD&A) is an element of the Required Supplementary Information per the Governmental Accounting Standards Board (GASB) Statement No. 34, as amended. Certain comparative information between the current year, 2017, and the prior year, 2016, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- County-wide net position increased 5.2% in 2017 over the prior year mainly due to the County increasing their tax levy as well as a conservative spending approach.
- Overall governmental fund-level revenues totaled \$34,662,631 and were \$1,437,805 more than expenditures in 2017.
- The General Fund's fund balance increased \$2,203,185 from the prior year due primarily due to an increase in the tax levy as well as a conservative spending approach.
- The Solid Waste Enterprise Fund revenues exceeded expenses by \$175,798.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

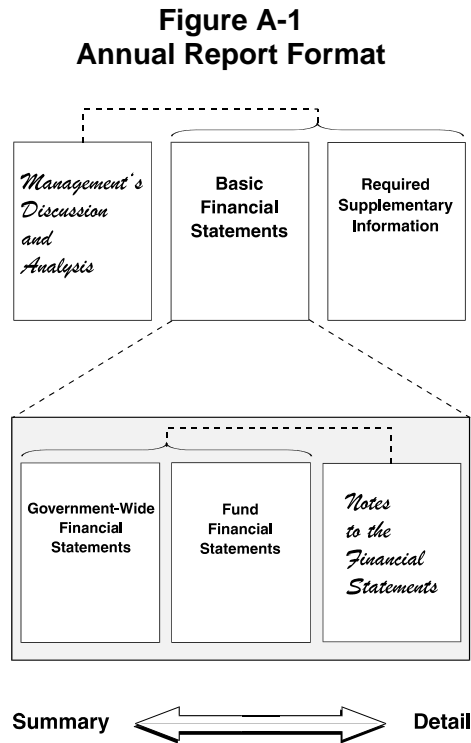
- The first two statements are County-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations in more detail than the County-wide statements.
 - The governmental funds statements tell how basic services such as general government, human services, and highways and streets were financed in the short term as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

**TODD COUNTY
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 COUNTY
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 County's financial statements, including the portion of the County'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 County's Government-Wide and Fund Financial Statements				
Type of Statements	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	The activities of the County that operate similar to private businesses: solid waste.	Instances in which the County is the trustee or agent for someone else's resources.
Required financial statements	Statement of net position.	Balance sheet.	Statement of net position.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balances.	Statement of revenues, expenses, and change in net position and statement of cash flows.	Statement of changes in fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset and deferred outflow of resources/liability and deferred inflow of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both short-term and long-term, Agency's funds do not currently contain capital assets, although they can.
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.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

County-Wide Statements

The County-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the County's assets, deferred outflows of resources, 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 COUNTY
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

County-Wide Statements (Continued)

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

- Over time, increases or decreases in the County's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the County, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of County buildings and other facilities.

In the County-wide financial statements, the County's activities are shown in two categories:

- Governmental activities – The County's basic services are included here. Property taxes and state aids finance most of these activities.
- Business-type activities – The County's solid waste operations are included here. Charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's funds – focusing on its most significant or "major" funds – not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The County establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The County has three kinds of funds:

- Governmental funds – The County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the County-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- Proprietary funds – The County maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its solid waste transfer station. Proprietary fund financial statements provide the same type of information as the government-wide business-type financial statements, only in more detail.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

- Fiduciary funds – The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's total net position was \$86,553,803 on December 31, 2017, an increase of \$4,315,755 from the prior year. The increase is primarily due positive operation results and conservative spending during the year (see Table A-1).

Table A-1
The County's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 24,415,485	\$ 21,745,354	\$ 1,739,645	\$ 1,704,658	\$ 26,155,130	\$ 23,450,012
Capital Assets	81,399,504	77,998,503	440,546	349,356	81,840,050	78,347,859
Total Assets	105,814,989	99,743,857	2,180,191	2,054,014	107,995,180	101,797,871
Deferred Outflows of Resources	4,858,938	8,663,492	61,712	139,329	4,920,650	8,802,821
Current Liabilities	2,857,545	2,500,750	78,185	144,750	2,935,730	2,645,500
Long-Term Liabilities	17,363,666	23,190,971	315,945	395,013	17,679,611	23,585,984
Total Liabilities	20,221,211	25,691,721	394,130	539,763	20,615,341	26,231,484
Deferred Inflows of Resources	5,680,778	2,083,647	65,908	47,513	5,746,686	2,131,160
Net Position						
Net Investment in						
Capital Assets	77,097,133	73,166,367	440,546	332,207	77,537,679	73,498,574
Restricted	4,773,683	5,002,382	-	-	4,773,683	5,002,382
Unrestricted	2,901,122	2,463,232	1,341,319	1,273,860	4,242,441	3,737,092
Total Net Position	\$ 84,771,938	\$ 80,631,981	\$ 1,781,865	\$ 1,606,067	\$ 86,553,803	\$ 82,238,048

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

CHANGE IN NET POSITION

The County-wide total revenues were \$37,303,881 for the year ended December 31, 2017 (an increase of \$1,839,322). This increase is primarily attributable to increases in various charges for services revenues. Property taxes and intergovernmental revenues accounted for 78% of total revenue for the year (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Total % Change	Business-Type Activities		Total % Change	Total		Total % Change
	2017	2016		2017	2016		2017	2016	
REVENUES									
<u>Program Revenues</u>									
Charges for Services	\$ 4,478,766	\$ 3,592,582	24.7 %	\$ 2,060,734	\$ 1,860,402	10.8 %	\$ 6,539,500	\$ 5,452,984	19.9 %
Operating Grants and Contributions	8,159,143	7,454,548	9.5	72,057	73,849	(2.4)	8,231,200	7,528,397	9.3
Capital Grants and Contributions	3,852,214	5,110,513	(24.6)	-	-	-	3,852,214	5,110,513	(24.6)
<u>General Revenues</u>									
Property Taxes	14,845,436	13,925,529	6.6	-	-	-	14,845,436	13,925,529	6.6
Unrestricted State Aid	2,053,240	2,000,122	2.7	-	-	-	2,053,240	2,000,122	2.7
Investment Earnings	85,913	65,489	31.2	-	-	-	85,913	65,489	31.2
Other	1,675,712	1,381,525	21.3	20,666	-	-	1,696,378	1,381,525	22.8
Total Revenues	35,150,424	33,530,308	4.8	2,153,457	1,934,251	11.3	37,303,881	35,464,559	5.2
EXPENSES									
General Government	5,788,665	4,805,881	20.4	-	-	-	5,788,665	4,805,881	20.4
Public Safety	5,889,047	4,943,988	19.1	-	-	-	5,889,047	4,943,988	19.1
Highways and Streets	6,210,573	7,134,321	(12.9)	-	-	-	6,210,573	7,134,321	(12.9)
Sanitation	-	-	-	1,977,659	1,827,226	8.2	1,977,659	1,827,226	8.2
Human Services	8,526,339	9,327,811	(8.6)	-	-	-	8,526,339	9,327,811	(8.6)
Health	2,862,525	2,861,376	0.0	-	-	-	2,862,525	2,861,376	0.0
Culture and Recreation	399,843	466,253	(14.2)	-	-	-	399,843	466,253	(14.2)
Conservation of Natural Resources	1,154,445	1,082,474	6.6	-	-	-	1,154,445	1,082,474	6.6
Economic Development	71,711	76,006	(5.7)	-	-	-	71,711	76,006	(5.7)
Interest	107,319	325,391	(67.0)	-	-	-	107,319	325,391	(67.0)
Total Expenses	31,010,467	31,023,501	(0.0)	1,977,659	1,827,226	8.2	32,988,126	32,850,727	0.4
CHANGE IN NET POSITION BEFORE TRANSFERS	4,139,957	2,506,807		175,798	107,025		4,315,755	2,613,832	
TRANSFERS IN (OUT)	-	(240,000)	100.0	-	240,000	(100.0)	-	-	-
CHANGE IN NET POSITION	4,139,957	2,266,807	82.6	175,798	347,025	(49.3)	4,315,755	2,613,832	65.1
Net Position - Beginning of Year	80,631,981	78,365,174	2.9	1,606,067	1,259,042	27.6	82,238,048	79,624,216	3.3
NET POSITION - END OF YEAR	<u>\$ 84,771,938</u>	<u>\$ 80,631,981</u>	5.1	<u>\$ 1,781,865</u>	<u>\$ 1,606,067</u>	10.9	<u>\$ 86,553,803</u>	<u>\$ 82,238,048</u>	5.2

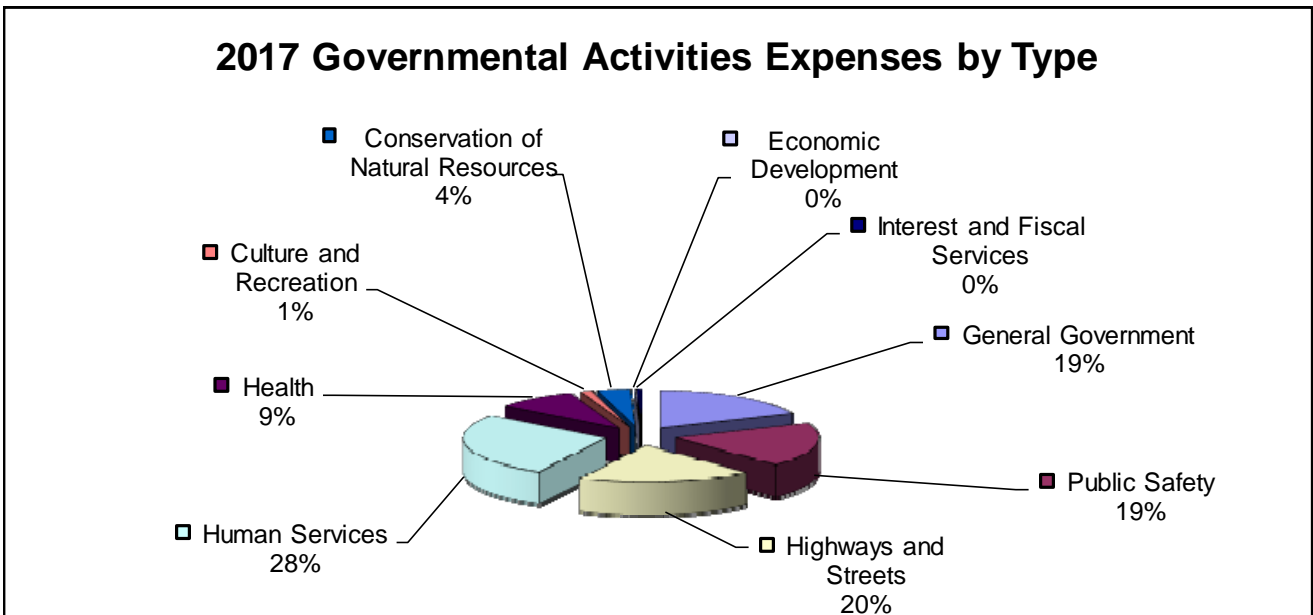
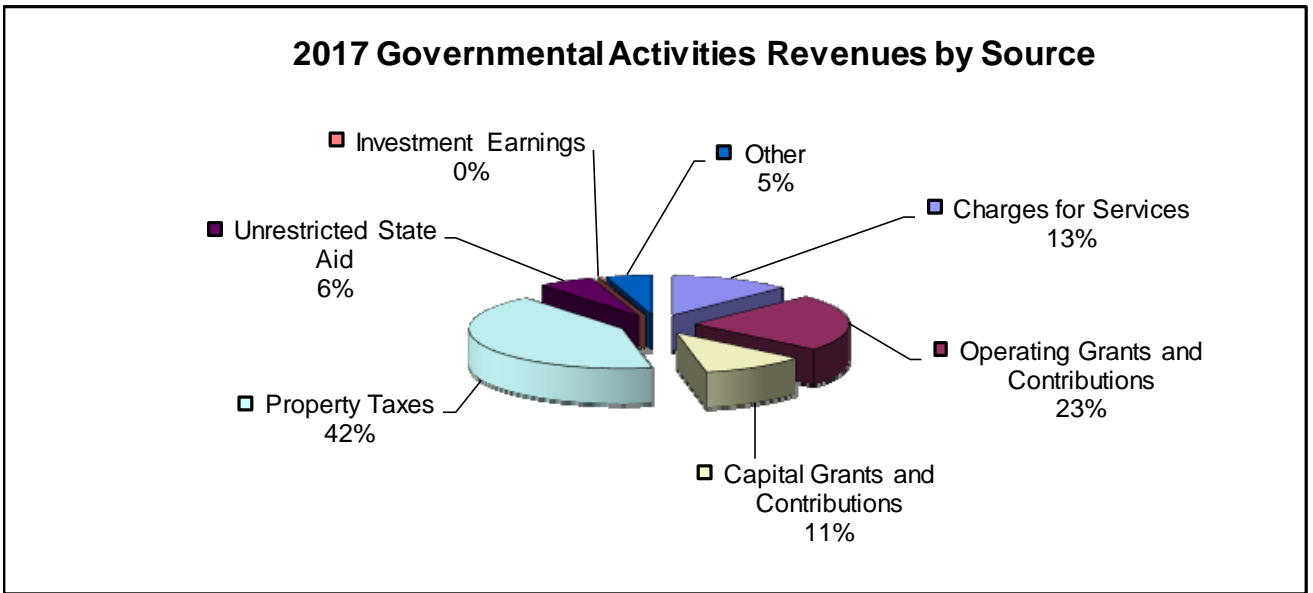
Total revenues surpassed expenses, increasing net position approximately \$4,316,000 over last year.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

CHANGE IN NET POSITION (CONTINUED)

The County-wide cost of all governmental activities this year was approximately \$31,000,000.

- Some of the cost was paid by the users of the County's programs (\$4,478,766).
- The federal and state governments subsidized certain programs with grants and contributions (\$12,011,357).
- The remainder of the County's governmental activities costs of \$14,520,344, however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities and the increase in net position was covered by \$14,845,436 in property taxes, \$2,053,240 of state aid, \$774,348 in transit sales tax, and with investment earnings and other general revenues.



**TODD COUNTY
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

CHANGE IN NET POSITION (CONTINUED)

Table A-3
Expenses and Net (Revenue) Cost of Services

	Total Cost of Services		Percentage Change	Net Revenue (Cost) of Services		Percentage Change
	2017	2016		2017	2016	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 5,788,665	\$ 4,805,881	20.4 %	\$ (4,643,767)	\$ (3,704,723)	(25.3)%
Public Safety	5,889,047	4,943,988	19.1	(4,959,414)	(3,960,725)	(25.2)
Highways and Streets	6,210,573	7,134,321	(12.9)	(7,601)	(255,244)	97.0
Human Services	8,526,339	9,327,811	(8.6)	(3,112,921)	(4,865,624)	36.0
Health	2,862,525	2,861,376	0.0	(393,427)	(500,279)	21.4
Culture and Recreation	399,843	466,253	(14.2)	(390,093)	(439,366)	11.2
Conservation of Natural Resources	1,154,445	1,082,474	6.6	(834,091)	(738,500)	(12.9)
Economic Development	71,711	76,006	(5.7)	(71,711)	(76,006)	5.7
Interest	107,319	325,391	(67.0)	(107,319)	(325,391)	67.0
Total	<u>\$ 31,010,467</u>	<u>\$ 31,023,501</u>	(0.0)	<u>\$ (14,520,344)</u>	<u>\$ (14,865,858)</u>	2.3
BUSINESS-TYPE ACTIVITIES						
Solid Waste	<u>\$ 1,977,659</u>	<u>\$ 1,827,226</u>	8.2 %	<u>\$ 155,132</u>	<u>\$ 107,025</u>	44.9 %

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 \$16,615,740. Revenues for the County's governmental funds were \$34,662,631, while total expenditures were \$33,224,826.

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects. Fund balance increased \$2,203,185 during 2017. This increase in fund balance is a result of an increase in property tax revenue and intergovernmental revenue exceeding the increase in payroll and capital purchases made in 2017.

The Public Works Fund has a total fund balance of \$2,971,296, representing a total decrease of \$323,462 (after accounting for the change in inventory) from the prior year as a result of a transfer out to the General Fund for committing fund balance for a future building.

The Social Services Fund has a total fund balance of \$2,865,574, representing a total decrease of \$207,320 primarily as a result of unforeseen program expenditures.

The Community Health Fund increased its fund balance by \$97,490 from 2016, which is due primarily to additional charges for services tax revenues for county services provided in the current year.

The Ditch Fund decreased its fund balance by \$125,630 from 2016, which is due primarily to maintenance projects performed in the current year for which future special assessment revenue will pay for.

The Capital Projects Fund reported a fund balance increase of \$13,872 from the prior year as the result of a transfer in from the General Fund for purchase of land and construction costs.

The Solid Waste Enterprise Fund showed operating income of \$78,054, which is primarily due to an increase in rates.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)

The following schedule presents a summary of General Fund Revenues:

Table A-4
General Fund Revenues

	Year Ended		Change	
	December 31, 2017	December 31, 2016	Increase (Decrease)	Percent
Taxes	\$ 8,071,941	\$ 7,775,712	\$ 296,229	3.8 %
Intergovernmental	2,710,402	2,632,474	77,928	3.0
Charges for Services	1,026,263	1,061,835	(35,572)	(3.4)
Interest	85,845	64,554	21,291	33.0
Miscellaneous and Other	816,726	914,760	(98,034)	(10.7)
Total General Fund Revenues	<u>\$ 12,711,177</u>	<u>\$ 12,449,335</u>	<u>\$ 261,842</u>	2.1

Total General Fund revenues increased by \$261,842, or 2.1%, from the previous year due primarily to additional taxes and intergovernmental revenues received in the current year.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2017	December 31, 2016	Increase (Decrease)	Percent
General Government	\$ 5,369,308	\$ 4,587,863	\$ 781,445	17.0 %
Public Safety	4,279,451	3,996,547	282,904	7.1
Culture and Recreation	388,282	399,881	(11,599)	(2.9)
Conservation	998,592	986,945	11,647	1.2
Economic Development	71,711	76,006	(4,295)	(5.7)
Debt Service	118,083	99,332	18,751	18.9
Total Expenditures	<u>\$ 11,225,427</u>	<u>\$ 10,146,574</u>	<u>\$ 1,078,853</u>	10.6

The increase in General Fund expenditures is due primarily to general government and public safety expenditures for payroll and capital purchases.

General Fund Budgetary Highlights

Over the course of the year, the County revised the annual operating budget for the General Fund for planned increases in expenditures and other minor adjustments. In general, the County does not make a significant amount of budget amendments during the year.

- Actual revenues were \$912,248 more than expected; this is primarily due to the County's budget not including all intergovernmental revenue sources received.
- The actual expenditures were \$381,619 less than the budget, which is due to many of the departments being under their budgeted expenditures for 2017.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

CAPITAL ASSETS

By the end of 2017, the County had invested over \$124,900,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A.4 to the financial statements). Total depreciation expense for the year was \$3,043,592 (including the Solid Waste Enterprise Fund).

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change	Business-Type Activities		Percent Change	Total		Percent Change
	2017	2016		2017	2016		2017	2016	
Land	\$ 1,005,944	\$ 1,021,044	(1.5)%	\$ 37,316	\$ 37,316	- %	\$ 1,043,260	\$ 1,058,360	(1.4)%
Construction-in-Progress	896,916	709,338	26.4	-	-	-	896,916	709,338	26.4
Buildings	14,226,090	14,061,743	1.2	481,569	481,569	-	14,707,659	14,543,312	1.1
Improvements Other than Buildings	-	-	-	28,253	28,253	-	28,253	28,253	-
Machinery, Equipment, and Vehicles	9,344,305	8,528,102	9.6	1,140,173	1,093,823	4.2	10,484,478	9,621,925	9.0
Infrastructure	97,817,450	92,824,727	5.4	-	-	-	97,817,450	92,824,727	5.4
Less: Accumulated Depreciation	(41,891,201)	(39,146,451)	7.0	(1,246,765)	(1,291,605)	(3.5)	(43,137,966)	(40,438,056)	6.7
Total	\$ 81,399,504	\$ 77,998,503	4.4	\$ 440,546	\$ 349,356	26.1	\$ 81,840,050	\$ 78,347,859	4.5

LONG-TERM LIABILITIES

At year-end, the County had \$18,735,425 in long-term liabilities outstanding, including the current portion of long-term debt.

- The County's governmental activities total long-term liabilities decreased \$5,532,514 largely due changes in actuarial assumptions and investment earning projects related to pensions.

Table A-7
The County's Long-Term Liabilities

	2017	2016	Percentage Change
GOVERNMENTAL ACTIVITIES			
G.O. Bonds	\$ 3,885,000	\$ 4,370,000	(11.1)%
Capital Lease Obligations	239,426	83,601	186.4
Compensated Absences Payable	2,171,042	2,123,934	2.2
Net Pension Liability	10,926,393	16,288,701	(32.9)
Other Postemployment Benefits Payable	1,180,530	1,068,669	10.5
Total	\$ 18,402,391	\$ 23,934,905	(23.1)
BUSINESS-TYPE ACTIVITIES			
Compensated Absences Payable	\$ 43,840	\$ 45,880	(4.4)
Net Pension Liability	255,447	335,855	(23.9)
Other Postemployment Benefits Payable	33,747	30,853	9.4
Total	\$ 333,034	\$ 412,588	(19.3)

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

FACTORS BEARING ON THE COUNTY'S FUTURE

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, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise Gaida, County Auditor-Treasurer at (320) 732-4472.

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BASIC FINANCIAL STATEMENTS

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 16,256,860	\$ 1,601,365	\$ 17,858,225
Petty Cash and Change Funds	4,525	160	4,685
Undistributed Cash in Agency Funds	639,423	-	639,423
Taxes Receivable			
Delinquent	417,797	-	417,797
Special Assessments Receivable			
Delinquent	4,033	43,830	47,863
Noncurrent	49,777	-	49,777
Accounts Receivable - Net	190,269	89,079	279,348
Accrued Interest Receivable	28,535	-	28,535
Loans Receivable	90,000	-	90,000
Internal Balances	(5,021)	5,021	-
Due from Other Governments	3,542,344	190	3,542,534
Inventory	644,727	-	644,727
Prepays	26,691	-	26,691
Investment in Joint Venture	2,525,525	-	2,525,525
Non-Depreciable Capital Assets			
Land	1,005,944	37,316	1,043,260
Construction-in-Progress	896,916	-	896,916
Depreciable Capital Assets			
Building (Net)	9,756,106	38,408	9,794,514
Machinery, Vehicles, Furniture and Equipment (Net)	2,853,380	364,822	3,218,202
Infrastructure (Net)	66,887,158	-	66,887,158
Total Assets	105,814,989	2,180,191	107,995,180
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding	101,599	-	101,599
Pension Related	4,757,339	61,712	4,819,051
Total Deferred Outflows of Resources	4,858,938	61,712	4,920,650
LIABILITIES			
Accounts Payable	523,692	16,881	540,573
Salaries Payable	783,599	18,287	801,886
Contracts Payable	60,548	-	60,548
Due to Other Governments	250,365	25,418	275,783
Accrued Interest Payable	39,411	-	39,411
Unearned Revenue	43,808	510	44,318
Compensated Absences Payable - Due Within One Year	597,684	17,089	614,773
Capital Leases Payable - Due Within One Year	78,438	-	78,438
General Obligation Bonds Payable - Due Within One Year	480,000	-	480,000
Compensated Absences Payable - Due in More than One Year	1,573,358	26,751	1,600,109
General Obligation Bonds Payable - Due in More than One Year	3,522,397	-	3,522,397
Capital Leases Payable - Due in More than One Year	160,988	-	160,988
Other Postemployment Benefits Payable - Due in More than One Year	1,180,530	33,747	1,214,277
Net Pension Liability - Due in More than One Year	10,926,393	255,447	11,181,840
Total Liabilities	20,221,211	394,130	20,615,341
DEFERRED INFLOWS OF RESOURCES			
Pension Related	5,041,355	65,908	5,107,263
Property Taxes Collected for Subsequent Period	639,423	-	639,423
Total Deferred Inflows of Resources	5,680,778	65,908	5,746,686
NET POSITION			
Net Investment in Capital Assets	77,097,133	440,546	77,537,679
Restricted For:			
Veterans Services Purchases	167,206	-	167,206
Law Library Purchases	87,841	-	87,841
Recorder's Technology/Compliance Purchases	805,569	-	805,569
E-911 and Sheriff Programs	369,594	-	369,594
Debt Service	648,951	-	648,951
Revolving Loans	90,000	-	90,000
Soil and Water Conservation Expenses	270,798	-	270,798
Aquatic Invasive Species Grant	55,328	-	55,328
Planning and Zoning Grants	90,644	-	90,644
Transportation	2,187,752	-	2,187,752
Unrestricted	2,901,122	1,341,319	4,242,441
Total Net Position	\$ 84,771,938	\$ 1,781,865	\$ 86,553,803

See accompanying Notes to Financial Statements.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 5,788,665	\$ 772,339	\$ 372,559	\$ -
Public Safety	5,889,047	649,309	179,937	100,387
Highways and Streets	6,210,573	844,057	1,684,215	3,674,700
Human Services	8,526,339	1,145,270	4,268,148	-
Health	2,862,525	1,051,056	1,418,042	-
Culture and Recreation	399,843	9,750	-	-
Conservation of Natural Resources	1,154,445	6,985	236,242	77,127
Economic Development	71,711	-	-	-
Interest	107,319	-	-	-
Total Governmental Activities	31,010,467	4,478,766	8,159,143	3,852,214
BUSINESS-TYPE ACTIVITIES				
Solid Waste	1,977,659	2,060,734	72,057	-
Total Primary Government	\$ 32,988,126	\$ 6,539,500	\$ 8,231,200	\$ 3,852,214

GENERAL REVENUES

Property Taxes
Mortgage Registry and Deed Tax
Payments in Lieu of Tax
Transit Sales and Use Tax
Insurance Dividends
Grants and Contributions not Restricted for a Particular Purpose
Investment Earnings
Miscellaneous
Gain on Sale of Capital Assets

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (4,643,767)	\$ -	\$ (4,643,767)
(4,959,414)	-	(4,959,414)
(7,601)	-	(7,601)
(3,112,921)	-	(3,112,921)
(393,427)	-	(393,427)
(390,093)	-	(390,093)
(834,091)	-	(834,091)
(71,711)	-	(71,711)
(107,319)	-	(107,319)
(14,520,344)	-	(14,520,344)
-	155,132	155,132
(14,520,344)	155,132	(14,365,212)
14,845,436	-	14,845,436
17,108	-	17,108
117,177	-	117,177
774,348	-	774,348
107,248	-	107,248
2,053,240	-	2,053,240
85,913	-	85,913
438,070	-	438,070
221,761	20,666	242,427
18,660,301	20,666	18,680,967
4,139,957	175,798	4,315,755
80,631,981	1,606,067	82,238,048
\$ 84,771,938	\$ 1,781,865	\$ 86,553,803

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Major Funds		
	General	Public Works	Social Services
ASSETS			
Cash and Cash Equivalents	\$ 8,381,908	\$ 2,348,257	\$ 2,942,607
Petty Cash and Change Funds	3,880	475	100
Undistributed Cash in Agency Funds	338,659	102,400	153,120
Taxes Receivable			
Delinquent	224,061	65,597	99,632
Special Assessments Receivable			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts Receivable	14,287	-	79,852
Accrued Interest Receivable	28,535	-	-
Loans Receivable	-	-	-
Due from Other Funds	70,371	-	37,848
Due from Other Governments	100,182	2,472,709	539,152
Prepaid Assets	3,280	-	23,411
Inventories	-	644,727	-
Advances to Other Funds	300,000	-	-
Total Assets	<u>\$ 9,465,163</u>	<u>\$ 5,634,165</u>	<u>\$ 3,875,722</u>
LIABILITIES			
Accounts Payable	\$ 174,710	\$ 50,747	\$ 261,246
Salaries Payable	359,157	109,610	192,738
Contracts Payable	-	60,548	-
Due to Other Funds	-	-	-
Due to Other Governments	4,271	-	126,043
Unearned Revenue	100	-	1,200
Advance from Other Funds	-	-	-
Total Liabilities	<u>538,238</u>	<u>220,905</u>	<u>581,227</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	149,593	48,725	74,823
Unavailable Special Assessments	-	-	-
Unavailable Grants	17,285	2,290,839	200,978
Property Taxes Collected for Subsequent Period	338,659	102,400	153,120
Total Deferred Inflows of Resources	<u>505,537</u>	<u>2,441,964</u>	<u>428,921</u>
FUND BALANCES			
Nonspendable			
Advances to Other Funds	300,000	-	-
Prepays	3,280	-	23,411
Inventories	-	644,727	-
Restricted			
Veterans Services Purchases	167,206	-	-
Law Library Purchases	87,841	-	-
Recorder Technology/Compliance Purchases	805,569	-	-
Aquatic Invasive Species Grant	55,328	-	-
Planning and Zoning Department Grants	90,644	-	-
E-911 Equipment	288,502	-	-
Sheriff Contingency	6,034	-	-
Sheriff Canteen	12,923	-	-
Gun Permits	62,135	-	-
Debt Service	-	-	-
Revolving Loans	-	-	-
Minnesota Housing Finance Program	-	-	-
Soil and Conservation District	270,798	-	-
Committed			
Elections	22,000	-	-
Future Public Works Building	665,000	-	-
Road Projects	-	2,326,569	-
Social Services Operations	-	-	2,842,163
Community Health Operations	-	-	-
Buildings and Grounds	127,078	-	-
Capital Improvements	-	-	-
Parks and Trails Operations	-	-	-
Assigned			
Disaster Contingency	12,000	-	-
Unassigned	5,445,050	-	-
Total Fund Balances	<u>8,421,388</u>	<u>2,971,296</u>	<u>2,865,574</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,465,163</u>	<u>\$ 5,634,165</u>	<u>\$ 3,875,722</u>

See accompanying Notes to Financial Statements

Community Health	County Ditch	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 1,316,256	\$ 192,535	\$ 35,799	\$ 1,039,498	\$ 16,256,860
70	-	-	-	4,525
20,220	1,089	-	23,935	639,423
11,030	-	-	17,477	417,797
-	4,033	-	-	4,033
-	49,777	-	-	49,777
96,119	-	-	11	190,269
-	-	-	-	28,535
-	-	-	90,000	90,000
-	204	-	-	108,423
372,005	-	-	58,296	3,542,344
-	-	-	-	26,691
-	-	-	-	644,727
-	-	-	-	300,000
<u>\$ 1,815,700</u>	<u>\$ 247,638</u>	<u>\$ 35,799</u>	<u>\$ 1,229,217</u>	<u>\$ 22,303,404</u>
\$ 13,216	\$ 800	\$ -	\$ 22,973	\$ 523,692
122,094	-	-	-	783,599
-	-	-	-	60,548
-	-	-	113,444	113,444
2,738	-	-	117,313	250,365
42,508	-	-	-	43,808
-	300,000	-	-	300,000
180,556	300,800	-	253,730	2,075,456
8,209	-	-	13,092	294,442
-	53,552	-	-	53,552
115,689	-	-	-	2,624,791
20,220	1,089	-	23,935	639,423
144,118	54,641	-	37,027	3,612,208
-	-	-	-	300,000
-	-	-	-	26,691
-	-	-	-	644,727
-	-	-	-	167,206
-	-	-	-	87,841
-	-	-	-	805,569
-	-	-	-	55,328
-	-	-	-	90,644
-	-	-	-	288,502
-	-	-	-	6,034
-	-	-	-	12,923
-	-	-	-	62,135
-	-	-	675,504	675,504
-	-	-	90,000	90,000
-	-	-	137,976	137,976
-	-	-	-	270,798
-	-	-	-	22,000
-	-	-	-	665,000
-	-	-	-	2,326,569
-	-	-	-	2,842,163
1,491,026	-	-	-	1,491,026
-	-	-	-	127,078
-	-	35,799	-	35,799
-	-	-	42,287	42,287
-	-	-	-	12,000
-	(107,803)	-	(7,307)	5,329,940
<u>1,491,026</u>	<u>(107,803)</u>	<u>35,799</u>	<u>938,460</u>	<u>16,615,740</u>
<u>\$ 1,815,700</u>	<u>\$ 247,638</u>	<u>\$ 35,799</u>	<u>\$ 1,229,217</u>	<u>\$ 22,303,404</u>

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**TODD COUNTY
LONG PRAIRIE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS		\$ 16,615,740
Total net position reported for governmental activities in the statement of net position is 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.		81,399,504
The County's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	\$ (10,926,393)	
Deferred Inflows of Resources - Pension Related	(5,041,355)	
Deferred Outflows of Resources - Pension Related	<u>4,757,339</u>	(11,210,409)
Investment in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		2,525,525
Other long-term assets (deferred inflows of resources) are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		2,972,785
The loss on refunding is reported as a deferred outflow on the statement of net position and amortized over the life of the bonds.		101,599
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 Courthouse Bonds, Net	(4,002,397)	
Capital Leases	(239,426)	
Compensated Absences	(2,171,042)	
Other Postemployment Benefits	(1,180,530)	
Accrued Interest Payable	<u>(39,411)</u>	<u>(7,632,806)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 84,771,938</u>

See accompanying Notes to Financial Statements

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Major Funds		
	General	Public Works	Social Services
REVENUES			
Taxes	\$ 8,071,941	\$ 2,297,097	\$ 3,319,895
Transit Sales and Use Tax	-	774,348	-
Special Assessments	-	-	-
Licenses and Permits	174,257	-	-
Intergovernmental	2,710,402	5,943,900	3,753,214
Charges for Services	1,026,263	140,674	268,036
Fines and Forfeits	3,793	-	-
Gifts and Contributions	12,883	-	-
Interest on Investments	85,845	291	-
Insurance Dividend	106,957	-	-
Miscellaneous	518,836	703,383	681,975
Total Revenues	12,711,177	9,859,693	8,023,120
EXPENDITURES			
CURRENT			
General Government	5,369,308	-	-
Public Safety	4,279,451	-	-
Highways and Streets	-	9,516,159	-
Human Services	-	-	8,230,440
Health	-	-	-
Culture and Recreation	388,282	-	-
Conservation of Natural Resources	998,592	-	-
Economic Development	71,711	-	-
DEBT SERVICE			
Principal	103,906	-	-
Interest	14,177	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	11,225,427	9,516,159	8,230,440
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,485,750	343,534	(207,320)
OTHER FINANCING SOURCES (USES)			
Transfers In	665,000	15,048	-
Transfers Out	(252,233)	(665,000)	-
Proceeds from Sale of Assets	282,595	30,588	-
Proceeds from Insurance	22,073	-	-
Total Other Financing Sources (Uses)	717,435	(619,364)	-
NET CHANGE IN FUND BALANCES	2,203,185	(275,830)	(207,320)
Fund Balances - Beginning of Year	6,218,203	3,294,758	3,072,894
DECREASE IN INVENTORY	-	(47,632)	-
FUND BALANCES - END OF YEAR	\$ 8,421,388	\$ 2,971,296	\$ 2,865,574

See accompanying Notes to Financial Statements.

Community Health	County Ditch	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 377,982	\$ -	\$ -	\$ 798,382	\$ 14,865,297
-	-	-	-	774,348
-	45,534	-	-	45,534
-	-	-	-	174,257
1,310,391	-	-	250,406	13,968,313
1,189,405	-	-	-	2,624,378
-	-	-	-	3,793
-	-	-	-	12,883
-	-	-	68	86,204
-	-	-	-	106,957
68,449	-	-	28,024	2,000,667
<u>2,946,227</u>	<u>45,534</u>	<u>-</u>	<u>1,076,880</u>	<u>34,662,631</u>
-	-	223,313	209,309	5,801,930
-	-	-	-	4,279,451
-	-	-	-	9,516,159
-	-	-	221,653	8,452,093
2,848,737	-	-	-	2,848,737
-	-	-	11,561	399,843
-	171,164	-	-	1,169,756
-	-	-	-	71,711
-	-	-	485,000	588,906
-	-	-	79,888	94,065
-	-	-	2,175	2,175
<u>2,848,737</u>	<u>171,164</u>	<u>223,313</u>	<u>1,009,586</u>	<u>33,224,826</u>
97,490	(125,630)	(223,313)	67,294	1,437,805
-	-	237,185	-	917,233
-	-	-	-	(917,233)
-	-	-	-	313,183
-	-	-	-	22,073
-	-	237,185	-	335,256
97,490	(125,630)	13,872	67,294	1,773,061
1,393,536	17,827	21,927	871,166	14,890,311
-	-	-	-	(47,632)
<u>\$ 1,491,026</u>	<u>\$ (107,803)</u>	<u>\$ 35,799</u>	<u>\$ 938,460</u>	<u>\$ 16,615,740</u>

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,773,061

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

Transactions to report Investment in Joint Venture 614,719
 Increase (Decrease) in Investment in Joint Venture

Governmental funds report capital outlays 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.

Expenditures for General Capital Assets, Infrastructure, and Other Related Capital		
Asset Adjustments	\$ 6,423,802	
Current Year Depreciation	<u>(2,973,578)</u>	3,450,224

Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources. (1,386,984)

In the statement of activities, only the gain or loss on the disposal of capital assets are reported whereas in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net position differs from the change in fund balance by the cost of the capital assets disposed of. (49,223)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (373,865)

Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are: (259,731)

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

Principal Repayments:		
General Obligation Bonds	485,000	
Capital Lease	<u>103,906</u>	588,906

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	(11,079)	
Change in Unamortized Refunding Loss on Bonds	(12,970)	
Change in Unamortized Bond Premium	13,500	
Change in Compensated Absences	(47,108)	
Change in Other Postemployment Benefits	(111,861)	
Change in Inventories	<u>(47,632)</u>	<u>(217,150)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 4,139,957**

See accompanying Notes to Financial Statements.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
STATEMENT OF NET POSITION
SOLID WASTE ENTERPRISE FUND
DECEMBER 31, 2017**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,601,365
Petty Cash and Change Funds	160
Special Assessments Receivable	
Delinquent	43,830
Accounts Receivable (Net)	89,079
Due from Other Funds	5,021
Due from Other Governments	190
Total Current Assets	1,739,645

NONCURRENT ASSETS

CAPITAL ASSETS

Land	37,316
Building (Net)	38,408
Machinery, Vehicles, Furniture and Equipment (Net)	364,822
Total Noncurrent Assets	440,546
Total Assets	2,180,191

DEFERRED OUTFLOWS OF RESOURCES

Pension Related	61,712
-----------------	--------

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	16,881
Salaries Payable	18,287
Due to Other Governments	25,418
Unearned Revenue	510
Compensated Absences Payable - Due Within One Year	17,089
Total Current Liabilities	78,185

NONCURRENT LIABILITIES

Net Pension Liability	255,447
Compensated Absences - Due in More than One Year	26,751
Other Postemployment Benefits - Due in More than One Year	33,747
Total Noncurrent Liabilities	315,945
Total Liabilities	394,130

DEFERRED INFLOWS OF RESOURCES

Pension Related	65,908
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NET POSITION

Net Investment in Capital Assets	440,546
Unrestricted	1,341,319
Total Net Position	\$ 1,781,865

See accompanying Notes to Financial Statements.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
SOLID WASTE ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2017**

OPERATING REVENUES

Sales and Charges for Services	\$	1,455,386
Operating Special Assessments		600,327
Total Operating Revenues		2,055,713

OPERATING EXPENSES

Sanitation		1,907,645
Depreciation		70,014
Total Operating Expenses		1,977,659

OPERATING INCOME

78,054

NONOPERATING REVENUES (EXPENSES)

Intergovernmental		72,057
Forfeit Land Sale Proceeds		5,021
Gain on Sale of Capital Assets		20,666
Total Nonoperating Revenues (Expenses)		97,744

CHANGE IN NET POSITION

175,798

Net Position - Beginning of Year		1,606,067
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NET POSITION - END OF YEAR	\$	1,781,865
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See accompanying Notes to Financial Statements.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
STATEMENT OF CASH FLOWS
SOLID WASTE ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 1,466,601
Receipts from Operating Special Assessments	608,173
Payments to Suppliers	(1,556,377)
Payments to Employees	(401,399)
Net Cash Provided by Operating Activities	116,998

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Intergovernmental Receipts	72,057
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	(179,538)
Proceeds from Sale of Capital Assets	39,000
Net Cash Used by Capital and Related Financing Activities	(140,538)

NET INCREASE IN CASH AND CASH EQUIVALENTS

48,517

Cash and Cash Equivalents - Beginning of Year

1,552,848

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,601,365

**RECONCILIATION OF OPERATING INCOME TO
CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income	\$ 78,054
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	70,014
Adjustment for Pension Expense	15,604
(Increase) Decrease in Assets:	
Accounts Receivable	10,796
Due from Other Governments	(190)
Special Assessments Receivable	7,846
Prepays	99
Increase (Decrease) in Liabilities:	
Accounts Payable	1,842
Salaries Payable	(1)
Due to Other Governments	(68,430)
Unearned Revenue	510
Compensated Absences Payable	(2,040)
Other Postemployment Benefits Payable	2,894
Net Cash Provided by Operating Activities	\$ 116,998

See accompanying Notes to Financial Statements.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017**

ASSETS

Cash and Cash Equivalents	<u>\$ 2,165,568</u>
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LIABILITIES

Funds Held in Trust	\$ 74,205
Due to Other Governments	<u>2,091,363</u>
Total Liabilities	<u>\$ 2,165,568</u>

See accompanying Notes to Financial Statements.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Todd County's (the County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). 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

Todd County was established February 20, 1855, as an organized county having the powers, duties, and privileges granted counties by Minnesota Statutes ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Todd County (primary government) and its component units for which the County is financially accountable. There is financial accountability if the primary government appoints a voting majority of an organization's governing body and had the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burden on the primary government. Based on the criteria for determining component units, the County is not required to include any component units. The County is governed by a 5-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice-chair elected at the annual meeting in January of each year. The County Auditor-Treasurer serves as the clerk of the Board but does not vote in its decisions.

Joint Ventures

The County participates in joint ventures which are described in Note 9.C. The County also participates in jointly-governed organizations which are described in Note 9.D, and a related organization is described in Note 9.E.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the primary government. 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 revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) 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 and different business-type activity are offset by program revenues. Direct expenses are those that are 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 that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are 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. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

The Public Works Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Property taxes and intergovernmental revenues are the primary funds committed for these projects.

The Social Services Special Revenue Fund is used to account for economic assistance and community social services programs which are funded primarily by property taxes and intergovernmental revenues.

The Community Health Special Revenue Fund is used to account for the financial activities of the Todd County Nursing Service. Financing is provided by grants for health purposes and charges for nursing care.

The County Ditch Special Revenue Fund is used to account for the repair, maintenance, and construction of ditches within the County. Special assessment revenues are the primary revenue source restricted for this purpose.

The Capital Projects Fund is used to account for the construction of major capital improvements within the County, which are not related to business-type activities.

The County reports the following major enterprise fund:

The Solid Waste Fund is used to account for the operation, maintenance, and development of the County solid waste transfer station.

Additionally, the County reports the following fund types:

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

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Todd County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all 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 general 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, then unrestricted resources as they are needed.

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

1. Cash and Cash Equivalents

Cash and cash equivalents are identified only for the purpose of the statement of cash flows reporting by the proprietary fund. The County has defined cash and cash equivalents to include cash on hand and demand deposits. Additionally, each fund's equity in the County's pooled cash is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits

The cash balances of substantially all funds are pooled by the County Auditor-Treasurer for the purpose of increased interest earnings. Pursuant to Minnesota Statutes §385.07, interest earnings on cash are credited to the General Fund. Other funds received interest earnings based on other state statutes, grant agreements, contracts, and bond covenants. During the current year, the County collected taxes prepaid for the subsequent year. The County's portion of these taxes will be recognized as revenue in the year for which they were levied and are presented as Undistributed Cash in Agency Fund on the fund level statements and offset with deferred inflows of resources.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent maturities of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are reflected in a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for spending.

Accounts receivable in the solid waste fund are offset by an allowance for doubtful accounts. The County estimated this balance to be \$381 at December 31, 2017. The County develops an estimate of this allowance based on specific identification. All other accounts receivable are considered to be collectible in full.

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

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

4. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed. The statement of revenues, expenditures, and changes in fund balances reports the change in inventory as a direct adjustment to fund balance in accordance with applicable accounting standards.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. In the case of the initial capitalization of infrastructure, the County retroactively implemented the reporting of this item when GASB #34 was implemented. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

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

Assets	Years
Buildings	20-40
Infrastructure	15-50
Machinery, Vehicles, Furniture, and Equipment	3-10

6. Compensated Absences

The liability for compensated absences reported in 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. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of bond issuance.

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

8. Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period. The County will not recognize the related outflow until a future event occurs. More detailed information about pension related deferred outflows of resources can be found in Note 5 to the financial statements.

9. Deferred Inflows of Resources

The County's governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The County will not recognize the related revenue until a future event occurs. The County has three types of items which occur relating to revenue recognition. The first type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the County's year) under the modified accrual basis of accounting. The second type relates to pension liabilities as described in Note 5 to the financial statements. The final type occurs because the County collected property taxes prior to the year they were levied for and, therefore, the County will report deferred inflows for these items.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Net Pension Liability

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. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, and unassigned fund balances. Nonspendable portions of fund balance relate to prepaids, inventories, and long term receivables, as applicable. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Commissioners. The County reports \$3,450,756 of net position restricted by enabling legislation on the Statement of Net Position for governmental activities. The Board passed a resolution authorizing the County Auditor-Treasurer to assign fund balances and their intended uses. Unassigned fund balance is the residual classification for the County's General Fund and includes all spendable amounts not contained in other classifications.

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

12. 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.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance

The following funds had deficit fund balance as of December 31, 2017:

Special Revenue Funds

County Ditch Fund	\$ 107,803
Forfeited Tax Sale Fund	7,307

The Forfeited Tax Sale Fund's deficit will be eliminated with future tax revenues. The County Ditch Fund's deficit will be eliminated with future special assessment revenues.

B. Expenditures in Excess of Budget

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2017:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Social Services	\$ 8,230,440	\$ 7,997,395	\$ 233,045
Community Health	2,848,737	2,788,294	60,443

The excess expenditures were funded with existing fund balance and greater than anticipated revenues.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

As of December 31, 2017, Todd County had the following deposits:

Statement of Net Position	
Cash and Cash Equivalents	\$ 17,858,225
Petty Cash	4,685
Undistributed Cash with Agency Funds	639,423
Statement of Fiduciary Net Position	
Agency Funds Cash and Cash Equivalents	2,165,568
Total Deposits	<u>\$ 20,667,901</u>

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

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits (Continued)

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 U.S. government agency; general obligation of the state or local government rated "A" or better; revenue obligations of the state or local government rated "AA" or better; irrevocable standby letters of credit issue by the Federal Home Loan Bank; and time deposits insured by a 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, the County's deposits are fully collateralized and insured.

2. Receivables

Receivables as of December 31, 2017, for the County governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes	\$ 417,797	\$ 294,442
Special Assessments	53,810	14,083
Accounts	190,269	-
Interest	28,535	-
Loans	90,000	90,000
Due from Other Governments	<u>3,542,344</u>	<u>2,624,791</u>
Total Governmental Activities	<u>\$ 4,322,755</u>	<u>\$ 3,023,316</u>
Business-Type Activities		
Special Assessments	\$ 43,830	\$ -
Accounts	<u>89,079</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 132,909</u>	<u>\$ -</u>

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Loans Receivable

Loans receivable consist of cash loans to private enterprises, as described below:

The Reichert Place, Long Prairie, Minnesota; Original Loan of \$90,000 at 1% Interest, Due in One Lump Sum on September 1, 2031.

\$ 90,000

4. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land and Right of Way	\$ 1,021,044	\$ 40,000	\$ 55,100	\$ 1,005,944
Construction-in-Progress	709,338	5,180,301	4,992,723	896,916
Total Capital Assets, Not Being Depreciated	<u>1,730,382</u>	<u>5,220,301</u>	<u>5,047,823</u>	<u>1,902,860</u>
Capital Assets, Being Depreciated				
Buildings	14,061,743	217,347	53,000	14,226,090
Machinery, Vehicles, Furniture and Equipment	8,528,102	1,041,254	225,051	9,344,305
Infrastructure	92,824,727	4,992,723	-	97,817,450
Total Capital Assets, Being Depreciated	<u>115,414,572</u>	<u>6,251,324</u>	<u>278,051</u>	<u>121,387,845</u>
Less Accumulated Depreciation For				
Buildings	4,216,722	295,204	41,942	4,469,984
Machinery, Vehicles, Furniture and Equipment	5,866,349	811,462	186,886	6,490,925
Infrastructure	29,063,380	1,866,912	-	30,930,292
Total Accumulated Depreciation	<u>39,146,451</u>	<u>2,973,578</u>	<u>228,828</u>	<u>41,891,201</u>
Total Capital Assets, Being Depreciated, Net	<u>76,268,121</u>	<u>3,277,746</u>	<u>49,223</u>	<u>79,496,644</u>
Governmental Activities Capital Assets, Net	<u>\$ 77,998,503</u>	<u>\$ 8,498,047</u>	<u>\$ 5,097,046</u>	<u>\$ 81,399,504</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 37,316	\$ -	\$ -	\$ 37,316
Capital Assets, Being Depreciated				
Buildings	481,569	-	-	481,569
Improvements Other than Buildings	28,253	-	-	28,253
Machinery and Vehicles	1,093,823	179,538	133,188	1,140,173
Total Capital Assets, Being Depreciated	<u>1,603,645</u>	<u>179,538</u>	<u>133,188</u>	<u>1,649,995</u>
Less Accumulated Depreciation For				
Buildings	434,709	8,452	-	443,161
Improvements Other than Buildings	28,253	-	-	28,253
Machinery and Vehicles	828,643	61,562	114,854	775,351
Total Accumulated Depreciation	<u>1,291,605</u>	<u>70,014</u>	<u>114,854</u>	<u>1,246,765</u>
Total Capital Assets, Being Depreciated, Net	<u>312,040</u>	<u>109,524</u>	<u>18,334</u>	<u>403,230</u>
Business-Type Activities Capital Assets, Net	<u>\$ 349,356</u>	<u>\$ 109,524</u>	<u>\$ 18,334</u>	<u>\$ 440,546</u>

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

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

Governmental Activities		
General Government	\$	391,768
Public Safety		354,585
Highways and Streets, Including Depreciation of Infrastructure Assets		2,217,861
Conservation of Natural Resources		4,437
Human Services		1,433
Health		3,494
Total Depreciation Expense - Governmental Activities	<u>\$</u>	<u>2,973,578</u>
Business-Type Activities		
Solid Waste	<u>\$</u>	<u>70,014</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2017, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
Major Funds			
General Fund	Forfeited Tax Land	\$ 70,371	Forfeited Land Settlement
County Ditch Fund	Forfeited Tax Land	204	Forfeited Land Settlement
Solid Waste Fund	Forfeited Tax Land	5,021	Forfeited Land Settlement
Social Services Fund	Energy Assistance	37,848	Reimbursement for Expenses
	Total Due To/From Other Funds	<u>\$ 113,444</u>	

2. Advances From/To Other Funds

The following are not expected to be repaid within one year:

Receivable Fund	Payable Fund	Amount	Purpose
Major Funds			
General	County Ditch	<u>\$ 300,000</u>	Negative Cash

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following:

Funds	Amount	Purpose
Transfer to Public Works Fund from General Fund	\$ 15,048	Repairs to County Facilities
Transfer to Capital Projects Fund from General Fund	237,185	Purchase of Property
Transfer to General Fund from Public Works Fund	<u>665,000</u>	Commit Funds for Future Building
Total Transfers In/Out	<u><u>\$ 917,233</u></u>	

C. Liabilities

1. Long-Term Debt

Governmental Activities

Types of Indebtedness	Final Maturity	Annual Installment Amounts	Interest Rate (%)	Original Issues Amount	Outstanding Balance December 31, 2017
2010 GO Courthouse Bonds	2027	\$180,000- 345,000	5.85 - 6.00%	\$ 525,000	\$ 525,000
2013 GO Refunding Bonds	2020	170,000- 180,000	0.40 - 1.20	1,050,000	530,000
2016 GO Refunding bonds	2026	185,000- 355,000	2.00	<u>3,140,000</u>	<u>2,830,000</u>
Total General Obligation Bonds				<u>\$ 4,715,000</u>	3,885,000
Add: Unamortized Premium					<u>117,397</u>
Total Bonds					<u><u>\$ 4,002,397</u></u>

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Governmental Activities

Year Ending December 31,	2010 GO Courthouse Bonds		2016 GO Refunding Bonds		2013 GO Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ -	\$ 31,230	\$ 305,000	\$ 53,550	\$ 175,000	\$ 4,741
2019	-	31,230	315,000	47,350	175,000	3,079
2020	-	31,230	320,000	41,000	180,000	1,080
2021	-	31,230	325,000	34,550	-	-
2022	-	31,230	335,000	27,950	-	-
2023-2027	525,000	130,005	1,230,000	44,600	-	-
Total	<u>\$ 525,000</u>	<u>\$ 286,155</u>	<u>\$ 2,830,000</u>	<u>\$ 249,000</u>	<u>\$ 530,000</u>	<u>\$ 8,900</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
2010 GO Courthouse Bonds	\$ 525,000	\$ -	\$ -	\$ 525,000	\$ -
2013 GO Refunding Bonds	705,000	-	175,000	530,000	175,000
2016 GO Refunding Bonds	3,140,000	-	310,000	2,830,000	305,000
Unamortized Premiums	130,897	-	13,500	117,397	-
Capital Lease Obligation	83,601	259,731	103,906	239,426	78,438
Compensated Absences	2,123,934	1,207,318	1,160,210	2,171,042	597,684
Other Postemployment Benefits	1,068,669	279,983	168,122	1,180,530	-
Governmental Activity Long-Term Liabilities	<u>\$ 7,777,101</u>	<u>\$ 1,747,032</u>	<u>\$ 1,930,738</u>	<u>\$ 7,593,395</u>	<u>\$ 1,156,122</u>
BUSINESS-TYPE ACTIVITIES					
Compensated Absences	\$ 45,880	\$ 30,546	\$ 32,586	\$ 43,840	\$ 17,089
Other Postemployment Benefits	30,853	7,245	4,351	33,747	-
Business-Type Activity Long-Term Liabilities	<u>\$ 76,733</u>	<u>\$ 37,791</u>	<u>\$ 36,937</u>	<u>\$ 77,587</u>	<u>\$ 17,089</u>

The GO Bonds are liquidated by the Debt Service Fund. The Compensated Absences, Capital Leases, and Other Postemployment Benefits are liquidated by the General Fund.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Refunding Debt

During 2016, the County issued 2016 General Obligation Refunding Bonds in the amount of \$3,140,000 with an interest rate of 2.000%. These proceeds were used to provide the advance refunding (in 2018) of the 2011 General Obligation Bonds. The balance of the outstanding maturities to be refunded was \$3,040,000 and interest rates of 3.000% to 3.625%. As a result of this refunding, the County decreased its debt service requirements \$131,276, resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt service) of \$123,554.

As of December 31, 2017, the County had funds held with an escrow agent for the repayment of 2011 General Obligation Bonds, with an outstanding balance of \$2,760,000, which was defeased as part of the advance refunding issues in 2016 and, therefore, neither the cash nor the debt is shown on the financial statements of the County. The market value of funds held in escrow at December 31, 2017 was \$2,795,903.

NOTE 4 LEASES

A. Capital Leases

The County entered into a lease agreement for financing the acquisition of squad vehicles for the Sheriff Office and a lease for Motorola microwave radios. At December 31, 2017, the County had total assets under capital lease of \$541,830 with the related accumulated depreciation of \$302,887. Details about the capital leases at December 31, 2017 are as follows:

Lease	Maturity	Installment	Payment Amount	Original Issue	12/31/17 Balance
Sheriff Squad Vehicles	9/23/2018	Annual	\$ 30,364	\$ 84,885	\$ 28,246
Motorola Microwave Radios	11/1/2021	Annual	57,330	352,124	211,180
Total Capital Leases				<u>\$ 437,009</u>	<u>\$ 239,426</u>

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 LEASES (CONTINUED)

A. Capital Leases (Continued)

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

Year Ending <u>December 31</u>	<u>Amount</u>
2018	\$ 87,694
2019	57,330
2020	57,330
2021	<u>57,330</u>
Total minimum lease payments	259,684
Less: amount representing interest	<u>(20,258)</u>
Present value of minimum lease payments	<u><u>\$ 239,426</u></u>

B. Operating Leases

The County entered into lease agreements for copier leases for various departments within the County. The 2017 expenditures (including maintenance and supplies) under this lease agreement totaled \$34,502. Minimum lease payments over the term of these leases are as follows:

<u>Year</u>	<u>Minimum Payments</u>
2018	\$ 21,722
2019	21,662
2020	18,700
2021	15,355
2022	<u>5,716</u>
Total Minimum	<u><u>\$ 83,155</u></u>

NOTE 5 PENSION PLANS

A. Plan Description

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

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the County are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund))

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

3. Local Government Correctional Plan (Correctional Plan (accounted for in the Correctional Fund))

The Correctional Plan was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 PENSION PLANS

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 % funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

1. General Employees Plan Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

2. Police and Fire Benefits

Benefits for Police and Fire members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

3. Correctional Plan Benefits

Benefits for Correctional Plan members first hired after June 30, 2010, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. For Correctional Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

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

1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The County was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The County's contributions to the General Employees Fund for the year ended December 31, 2017, were \$766,203. The County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The County's was required to contribute 16.20% of pay for members in calendar year 2017. The County's contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$182,691. The County's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund Contributions

In calendar year 2017 plan members were required to contribute 5.83% of their annual covered salary. The County was required to contribute 8.75% of pay for plan members in calendar year 2017. The County's contributions to the Correctional Fund for the year ended December 31, 2017, were \$57,710. The County's contributions were equal to the required contributions as set by state statute.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2017, the County reported a liability of \$8,852,212 for its proportionate share of the General Employee Fund's net pension liability. The County's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled \$123,569. The net pension liability was measured as of June 30, 2017, 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 dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2017, the County's portion was 0.1539% which was an increase of 0.0007% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$925,889 for its proportionate share of General Employees Plan's pension expense. In addition, the County recognized an additional \$3,569 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

County's Proportionate Share of the Net Pension Liability	\$ 9,824,874
State's Proportionate Share of the Net Pension Liability	<u>123,569</u>
Total	<u><u>\$ 9,948,443</u></u>

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2017, the County reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 323,798	\$ 632,058
Changes in Actuarial Assumptions	1,631,141	984,945
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	424,892
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	32,011	493,015
County Contributions Subsequent to the Measurement Date	386,559	-
Total	<u>\$ 2,373,509</u>	<u>\$ 2,534,910</u>

\$386,559 is reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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 Expenses Amount
2018	\$ (399,874)
2019	444,346
2020	(175,384)
2021	(417,048)

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Pension Costs

At December 31, 2017, the County reported a liability of \$1,417,625 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.105%, which was a decrease of 0.003% from its proportion measured as of June 30, 2016. The County also recognized \$9,450 for the year ended December 31, 2017 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017, the County recognized pension expense of \$266,197 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2017, the County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 33,265	\$ 378,986
Changes in Actuarial Assumptions	1,968,626	2,012,676
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	120,424
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	46,952	78,703
County Contributions Subsequent to the Measurement Date	92,964	-
Total	<u>\$ 2,141,807</u>	<u>\$ 2,590,789</u>

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Pension Costs (Continued)

\$92,964 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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
2018	\$ (60,036)
2019	79,858
2020	(29,117)
2021	(127,863)
2022	(404,788)

3. Correctional Plan Pension Costs

At December 31, 2017, the County reported a liability of \$912,003 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.320%, which was an increase of 0.010% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$267,233 for its proportionate share of the Correctional Plan's pension expense.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs (Continued)

At December 31, 2017, the County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 592	\$ 14,555
Changes in Actuarial Assumptions	481,015	158,753
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	33,297
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	27,399	25,915
County Contributions Subsequent to the Measurement Date	29,704	-
Total	<u>\$ 538,710</u>	<u>\$ 232,520</u>

\$29,704 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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
2018	\$ 149,021
2019	200,519
2020	(47,666)
2021	(25,388)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%, Per Year
Salary Increases	3.25%, Per Year
Investment Rate of Return	7.50%

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5% thereafter for both plans, and 2.5% for all years for the Correctional Plan.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016. Experience studies have not been prepared for the Correctional Plan, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

Correctional Fund

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested, deferred members. The CSA has been changed to 35% for vested members and 1% for non-vested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39 %	5.10
International Equity	19	5.30
Bonds	20	0.75
Alternative Assets	20	5.90
Cash	2	0.00
Totals	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the fund's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56% 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 5.96% for the Correctional Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 3.56% after.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

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

Description	General Employees Fund		Police and Fire Fund		Correctional Fund	
1% Lower	6.50%	\$ 15,239,110	6.50%	\$ 2,669,801	4.96%	\$ 1,502,867
Current Discount Rate	7.50%	9,824,874	7.50%	1,417,625	5.96%	912,003
1% Higher	8.50%	5,392,339	8.50%	383,884	6.96%	450,826

H. Pension Plan Fiduciary Net Position

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

I. Pension Allocation

The County allocation includes pension amounts related to Community Corrections, a separately audited agency fund. Therefore, the deferred outflows of resources, the net pension liability, and the deferred inflows of resources that are associated with accounting for pensions, are not applicable to the Community Corrections of the County and are not presented on the face of the financial statements. Below is the allocation of the pension related amounts to various funds:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Pension Liability	Pension Expense	State's Proportionate Share of NPL	Special Funding
Governmental Activities	\$ 4,757,339	\$ 5,041,355	\$ 10,926,393	\$ 1,343,583	\$ 108,123	\$ 3,123
Business Type Activities						
Solid Waste	61,712	65,908	255,447	24,073	3,213	93
Community Corrections Agency Fund	234,975	250,956	972,662	91,663	12,233	353
Total	<u>\$ 5,054,026</u>	<u>\$ 5,358,219</u>	<u>\$ 12,154,502</u>	<u>\$ 1,459,319</u>	<u>\$ 123,569</u>	<u>\$ 3,569</u>

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 DEFINED CONTRIBUTION PLAN

Two Commissioners of the County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution 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. Minnesota Statutes Chapter 353D.03 specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee 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% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by the County during fiscal year 2017 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rate</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
\$1,956	\$1,956	5%	5%	5%

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by Minnesota Statutes §471.61 subdivision 2b. County policy determines the County's contributions to the plan. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost. As of December 31, 2017, there were 20 retirees receiving health benefits from the County's health plan.

A. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial 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 of 2017, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 307,508
Interest on Net OPEB Obligation	38,483
Adjustment to ARC	<u>(58,763)</u>
Annual OPEB Cost	287,228
Contributions During the Year	<u>(172,473)</u>
Increase in Net OPEB Obligation	114,755
Net OPEB - Beginning of Year	<u>1,099,522</u>
Net OPEB - End of Year	<u><u>\$ 1,214,277</u></u>
Governmental Activities	\$ 1,180,530
Business-Type Activities	<u>33,747</u>
Total OPEB Payable	<u><u>\$ 1,214,277</u></u>

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the preceding two years were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2015	\$ 262,202	\$ 230,694	88.0 %	\$ 1,061,389
December 31, 2016	284,568	246,435	86.6	1,099,522
December 31, 2017	287,228	172,473	60.0	1,214,277

B. Funding Status

The County's OPEB plan is financed on a pay-as-you-go basis and currently has no assets that have been deposited into an irrevocable trust for future health benefits. Therefore, the actuarial value of assets is zero. Separate stand-alone financial statements are not issued for the plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2016	\$ -	\$ 2,987,517	\$ 2,987,517	- %	\$ 9,530,284	31.4 %

C. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. 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, 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.

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

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

D. Annual OPEB Cost and Net OPEB Obligation

In the January 1, 2016 actuarial valuation, the most recent valuation available, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.50% discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 2.50%. The annual healthcare cost trend rate is 6.75% initially, reduced incrementally to an ultimate rate of 5.00% after seven years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30-year period.

NOTE 8 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 for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). For other risks, the County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for 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 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. The 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.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Contingent Liabilities

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

The County may be involved in various claims. Although the outcome of any claims 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 government.

B. Construction Commitments

The County has active construction projects and outstanding contracts as of December 31, 2017. The projects include the following:

	Spent-to-Date	Remaining Commitment
Road Construction	\$ 4,495,351	\$ 28,701

C. Joint Ventures

Todd-Wadena Community Corrections

The joint community corrections system was established in 1976 pursuant to Minnesota Laws of 1973, Chapter 401, between Todd and Wadena Counties. Todd-Wadena Community Corrections' primary programs and services are to assist member counties in the development, implementation, and operation of correctional programs, probation, and parole.

The management of Todd-Wadena Community Corrections is vested in a Joint Powers Board, which is composed of the five commissioners from each participating county. No single member county retains control over the operations or has oversight responsibility for the community corrections. The Joint Powers board appoints an executive committee which has been delegated by the Joint Powers Board all powers and duties necessary for the day to day operations. Total annual appropriation to this entity in 2017 was \$352,873.

Complete financial information can be obtained from:

Todd-Wadena Community Corrections Office
239 Central Avenue
Long Prairie, Minnesota 56347

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Family Service Collaborative

The Todd County Family Service Collaborative was established in 1998 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes §§ 471.59 and 124D.23. The Collaborative includes Todd County; Independent School District Nos. 786, 787, 2170, 2753, 2759, 6004; Tri-County Community Action Program; Rural Minnesota CEP; and Northern Pines Mental Health Center. The purpose of the Collaborative is to provide coordinated family services and to commit resources to an integrated fund.

Control of the Todd County Family Services Collaborative is vested in a Board of Directors. Todd County has two members on the Board.

In the event of withdrawal from the Todd County Family Service Collaborative, the withdrawing party shall give 90 day advance notice. The withdrawing party shall not be entitled to any compensation as long as the Collaborative continues its existence. Should the Collaborative cease to exist, all property, real and personal, held by the Joint Powers Board at the time of termination shall be distributed by resolution of the Board in accordance with law and in a manner to best accomplish the continuing purpose of the Collaborative. The County did not make any payments to this entity in 2017.

Financing is provided by state grants and appropriations from its members. Separate financial information can be obtained from The Freshwater Education District, 1100 5th Street NE Staples, Minnesota, 56479 (the fiscal agent for the Collaborative).

Central Minnesota Violent Offender Task Force

Todd, Morrison, Benton, Sherburne and Stearns Counties and the Cities of Sartell, Sauk Rapids, Waite Park, St. Joseph, St. Cloud, and Little Falls have entered into a joint powers agreement to investigate, identify, and disrupt illegal drug and gang activity through multi-jurisdictional investigations in Central Minnesota.

The Stearns County Sheriff's Office is the fiscal agent for the Central Minnesota Violent Offender Task Force. Members provide officers to the Task Force in lieu of appropriations; Todd County provided no cash funding to this organization during 2017.

Control of the Task Force is vested in a Board of Directors. The members of the board comprise the Sheriff of each member county, a County Attorney from a member party as the legal advisor to the Task Force, the Chief of Police for the Little Falls Police Department, the Chief of Police for the City of St. Cloud, and one representative from among the Chiefs of Police of Sartell, Sauk Rapids, St. Joseph, and Waite Park, selected annually by a majority vote of the Chiefs of Police.

Complete financial information can be obtained from The City of St. Cloud Police Department, 101 11th Avenue North, P.O. Box 1616, St. Cloud, Minnesota 55303.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

South Country Health Alliance

South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minnesota Statutes §471.59. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties became members. Mower County has since withdrawn. The agreement was in accordance with Minnesota Statutes §256B.692, which allows the formation of a board of directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

The purpose of SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordinating social service, public health and medical services, and promoting the achievement of public health goals. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the member counties.

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2017 was \$2,525,525. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as human services operating grants and contributions program revenue. No payments were made to this entity in 2017.

Complete financial statements for the SCHA may be obtained directly from SCHA.

Prairie Lakes Municipal Solid Waste Authority

Prairie Lakes Municipal Solid Waste Authority (PLMSWA) was created by a joint powers agreement between Becker, Otter Tail, Todd, and Wadena Counties in May 2010, under Minnesota Statutes §471.59. Clay County joined the joint powers in 2014. The agreement was in accordance with Minnesota Statutes §115A and Chapter 400, which provides that a County may conduct a solid waste management program which may include activities authorized by Chapter 115A and Chapter 400 and such other activities as are necessary and convenient to effectively carry out the purposes of Chapters 115A and Chapter 400.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Prairie Lakes Municipal Solid Waste Authority

The purpose of PLMSWA is to establish a mechanism whereby they may jointly exercise powers common to each participating party on issues including; ownership and operation of the Perham Resource Recovery Facility; cooperation with efforts in other Solid Waste Management activities that affect the operations of the Perham Resource Recovery Facility; establish procedures to add qualifying parties to the agreement; and establish a mechanism whereby additional parties and/or alternative programs and services may be developed for the benefit of the parties and in furtherance of the objectives of the parties.

Each charter member county's annual contribution is determined as part of the annual operating budget. The County was not required to contribute during 2017. If a situation arises in which the annual operating expenses are not offset by annual operating revenue the difference will be apportioned based on the percentages of obligations. Todd County's percentage of the obligation is 14.0%.

Complete financial statements for the PLMSWA may be obtained from its fiscal agent at 510 Fir Ave W, Fergus Falls, MN 56537.

Rainbow Rider Transit Board

The West Central Multi-County Joint Powers Transit Board (Rainbow Rider) was established December 1, 1994 by a joint powers agreement among Douglas, Pope, Stevens, and Traverse Counties. In January 2000, the Board changed its name to Rainbow Rider Transit Board. Grant County became a member effective January 1, 2011 and effective January 1, 2012, Todd County became a member. The agreement was established to provide a coordinated service delivery and funding source for public transportation for the mutual benefit of each of the joint participants. The joint powers agreement remains in force until any single county notifies the other parties of its intentions to withdraw at least 90 days before the termination takes effect. The remaining counties may agree to continue the agreement with the remaining counties as members.

Control is vested in the Rainbow Rider Transit Board. The Board consists of two members from each county. Each member of the Board is appointed by the County Commissioners of the county he or she represents. Members of the Board serve an annual term and may be reappointed by their respective County Boards. In 2017, the County contributed \$41,889 to Rainbow Rider.

Complete financial statements for the Rainbow Rider Transit Board may be obtained from Rainbow Rider, P.O. Box 136, Lowry, Minnesota 56349.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Central Minnesota Emergency Services Board

The Central Minnesota Emergency Services Board (previously the Central Minnesota Regional Radio Board) was established in 2007, under the authority conferred upon the member counties by Minnesota Statutes §§ 471.59 and 403.39, and includes 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 Board is composed of one Commissioner of each county appointed by the respective County Board and one City Council member from each city appointed by the respective 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 they shared in the original expense. The Board has no long-term debt. Financing is provided by the appropriations of member parties and by state and federal grants.

In 2017, the County contributed \$7,397 to the Central Minnesota Emergency Services Board. Complete financial information can be obtained from Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, 400 Second Street South, St. Cloud, Minnesota 56303.

D. Jointly-Governed Organizations

Hubbard, Otter Tail, Todd, and Wadena Counties, along with Quadrant, Inc., a Minnesota corporation, entered into a joint powers agreement which allows for the incineration of solid waste generated in these counties presently deposited in landfills and results in the recovery of energy that otherwise would be lost. The Joint Powers Board consists of one representative from each county, with Otter Tail County having two representatives. The activities relating to this agreement are reported as an enterprise fund in Otter Tail County's financial statements.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

D. Jointly-Governed Organizations (Continued)

Minnesota Counties Computer Consortium

The Minnesota Counties Computer Consortium was formed in 1979 pursuant to Minnesota Statutes §471.59 and includes over 20 counties. Control of the Consortium is vested in the Joint Data Processing Board which is composed of one representative and one alternate by each member county. The County's responsibility does not extend beyond making this appointment.

E. Related Organization – Long Prairie Housing and Redevelopment Authority

The County Board is responsible for appointing a majority of the Long Prairie Housing and Redevelopment Authority's governing body, but the County's responsibility does not extend beyond making the appointments.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
General Employees Plan			
County's Proportion of the Net Pension Liability	0.154%	0.153%	0.163%
County's Proportionate Share of the Net Pension Liability	\$ 9,824,874	\$ 12,439,080	\$ 8,447,506
State's Proportionate Share of the Net Pension Liability Associated with the County	123,569	162,458	-
County's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	\$ 9,948,443	\$ 12,601,538	\$ 8,447,506
County's Covered Payroll	\$ 9,880,737	\$ 9,505,400	\$ 9,584,963
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	99.43%	130.86%	88.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.90%	78.20%
Police and Fire Plan			
County's Proportion of the Net Pension Liability	0.105%	0.108%	0.112%
County's Proportionate Share of the Net Pension Liability	\$ 1,417,625	\$ 4,334,228	\$ 1,272,582
County's Covered Payroll	\$ 1,073,205	\$ 1,043,220	\$ 1,029,224
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	132.09%	415.47%	123.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.40%	63.90%	86.60%
Correctional Plan			
County's Proportion of the Net Pension Liability	0.320%	0.310%	0.330%
County's Proportionate Share of the Net Pension Liability	\$ 912,003	\$ 1,132,473	\$ 51,018
County's Covered Payroll	\$ 613,675	\$ 580,326	\$ 594,879
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	148.61%	195.14%	8.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.90%	58.20%	96.90%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF THE COUNTY CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Employees Plan				
Contractually Required Contribution	\$ 766,203	\$ 722,477	\$ 685,477	\$ 658,386
Contributions in Relation to the Contractually Required Contribution	<u>(766,203)</u>	<u>(722,477)</u>	<u>(685,477)</u>	<u>(658,386)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 10,216,040	\$ 9,633,025	\$ 9,139,678	\$ 9,081,175
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.25%
Police and Fire Plan				
Contractually Required Contribution	\$ 182,691	\$ 169,600	\$ 161,104	\$ 145,374
Contributions in Relation to the Contractually Required Contribution	<u>(182,691)</u>	<u>(169,600)</u>	<u>(161,104)</u>	<u>(145,374)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 1,127,722	\$ 1,046,910	\$ 994,470	\$ 950,157
Contributions as a Percentage of Covered Payroll	16.20%	16.20%	16.20%	15.30%
Correctional Plan				
Contractually Required Contribution	\$ 57,710	\$ 51,454	\$ 49,389	\$ 52,824
Contributions in Relation to the Contractually Required Contribution	<u>(57,710)</u>	<u>(51,454)</u>	<u>(49,389)</u>	<u>(52,824)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 659,543	\$ 588,060	\$ 564,442	\$ 603,706
Contributions as a Percentage of Covered Payroll	8.75%	8.75%	8.75%	8.75%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 8,175,139	\$ 8,175,139	\$ 8,071,941	\$ (103,198)
Licenses and Permits	143,065	143,065	174,257	31,192
Intergovernmental	2,192,465	2,192,465	2,710,402	517,937
Charges for Services	659,082	659,082	1,026,263	367,181
Fines and Forfeits	-	-	3,793	3,793
Gifts and Contributions	4,000	4,000	12,883	8,883
Investment Earnings	48,000	48,000	85,845	37,845
Insurance Dividend	122,728	122,728	106,957	(15,771)
Miscellaneous	454,450	454,450	518,836	64,386
Total Revenues	11,798,929	11,798,929	12,711,177	912,248
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Administrator	372,384	372,384	297,917	74,467
Commissioners	298,103	298,103	294,263	3,840
Courts	120,000	120,000	195,129	(75,129)
Law Library	-	-	10,147	(10,147)
County Auditor-Treasurer	602,319	602,319	620,987	(18,668)
County Assessor	486,117	486,117	422,055	64,062
Elections	28,600	28,600	22,475	6,125
Data Processing	403,369	403,369	410,671	(7,302)
Attorney	666,842	666,842	673,136	(6,294)
Recorder	401,610	401,610	419,163	(17,553)
GIS/Surveyor	159,765	159,765	148,429	11,336
Planning and Zoning	367,855	449,215	413,536	35,679
Buildings and Plant	689,794	689,794	608,448	81,346
Veterans Service Officer	251,557	251,557	279,289	(27,732)
Central Services/Motor Pool	178,500	233,500	190,838	42,662
Other General Government	357,913	357,913	362,825	(4,912)
Total General Government	5,384,728	5,521,088	5,369,308	151,780
PUBLIC SAFETY				
Sheriff	2,749,806	2,751,860	2,636,489	115,371
Boat and Water Safety	9,500	9,500	17,781	(8,281)
Emergency Services	51,318	51,318	50,689	629
E-911	95,000	95,000	44,632	50,368
Coroner	59,827	59,827	59,827	-
County Jail	1,099,943	1,104,923	1,117,160	(12,237)
Community Corrections	352,873	352,873	352,873	-
Total Public Safety	4,418,267	4,425,301	4,279,451	145,850

The Notes to Required Supplementary Information are an Integral Part of this Schedule.

**TODD COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
CULTURE AND RECREATION				
Regional Library	\$ 337,393	\$ 337,393	\$ 337,393	\$ -
Rainbow Rider	52,341	52,341	41,889	10,452
Parks & Trails	9,000	9,000	9,000	-
	<u>398,734</u>	<u>398,734</u>	<u>388,282</u>	<u>10,452</u>
Total Culture and Recreation	398,734	398,734	388,282	10,452
CONSERVATION OF NATURAL RESOURCES				
County Extension	168,997	168,997	180,492	(11,495)
Soil and Water Conservation	198,868	198,868	193,201	5,667
Agricultural Society/County Fair	40,036	40,036	39,597	439
Land Use	397,450	407,450	410,355	(2,905)
Wetland Challenge	43,282	43,282	43,282	-
Aquatic Invasive Species Grant	161,500	212,807	131,665	81,142
	<u>1,010,133</u>	<u>1,071,440</u>	<u>998,592</u>	<u>72,848</u>
Total Conservation of Natural Resources	1,010,133	1,071,440	998,592	72,848
ECONOMIC DEVELOPMENT				
Community Development	72,400	72,400	71,711	689
DEBT SERVICE				
Principal	103,906	103,906	103,906	-
Interest	14,177	14,177	14,177	-
	<u>118,083</u>	<u>118,083</u>	<u>118,083</u>	<u>-</u>
Total Debt Service	118,083	118,083	118,083	-
	<u>11,402,345</u>	<u>11,607,046</u>	<u>11,225,427</u>	<u>381,619</u>
Total Expenditures	11,402,345	11,607,046	11,225,427	381,619
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	396,584	191,883	1,485,750	1,293,867
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	665,000	665,000
Transfers Out	-	-	(252,233)	(252,233)
Proceeds from Sale of Assets	-	-	282,595	282,595
Insurance Proceeds	5,000	5,000	22,073	17,073
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>5,000</u>	<u>717,435</u>	<u>712,435</u>
NET CHANGE IN FUND BALANCE	<u>\$ 401,584</u>	<u>\$ 196,883</u>	2,203,185	<u>\$ 2,006,302</u>
Fund Balance - Beginning of Year			<u>6,218,203</u>	
FUND BALANCE - END OF YEAR			<u>\$ 8,421,388</u>	

The Notes to Required Supplementary Information are an Integral Part of this Schedule.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,391,928	\$ 2,391,928	\$ 2,297,097	\$ (94,831)
Transit Sales and Use Tax	652,000	652,000	774,348	122,348
Intergovernmental	5,632,500	5,632,500	5,943,900	311,400
Charges for Services	250,000	250,000	140,674	(109,326)
Interest on Investments	-	-	291	291
Miscellaneous	510,000	510,000	703,383	193,383
Total Revenues	9,436,428	9,436,428	9,859,693	423,265
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	430,018	430,018	363,216	66,802
Construction and Engineering	5,876,480	5,891,528	6,000,322	(108,794)
Maintenance	1,927,100	1,927,100	1,776,578	150,522
Equipment and Maintenance Shops	1,392,080	1,519,297	1,303,955	215,342
Other	22,750	22,750	72,088	(49,338)
Total Expenditures	9,648,428	9,790,693	9,516,159	274,534
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(212,000)	(354,265)	343,534	697,799
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	15,048	15,048
Transfers Out	-	-	(665,000)	(665,000)
Proceeds from Sale of Assets	-	-	30,588	30,588
Total Other Financing Sources	-	-	(619,364)	(619,364)
NET CHANGE IN FUND BALANCE	\$ (212,000)	\$ (354,265)	(275,830)	\$ 78,435
Fund Balance - Beginning of Year			3,294,758	
Decrease for Inventory			(47,632)	
FUND BALANCE - END OF YEAR			\$ 2,971,296	

The Notes to Required Supplementary Information are an Integral Part of this Schedule.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,451,700	\$ 3,451,700	\$ 3,319,895	\$ (131,805)
Intergovernmental	3,537,857	3,537,857	3,753,214	215,357
Charges for Services	304,838	304,838	268,036	(36,802)
Investment Earnings	400	400	-	(400)
Miscellaneous	402,600	402,600	681,975	279,375
Total Revenues	7,697,395	7,697,395	8,023,120	325,725
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	2,933,226	2,933,226	3,328,650	(395,424)
Social Services	5,064,169	5,064,169	4,901,790	162,379
Total Expenditures	7,997,395	7,997,395	8,230,440	(233,045)
NET CHANGE IN FUND BALANCE	\$ (300,000)	\$ (300,000)	(207,320)	\$ 92,680
Fund Balance - Beginning of Year			3,072,894	
FUND BALANCE - END OF YEAR			\$ 2,865,574	

The Notes to Required Supplementary Information are an Integral Part of this Schedule.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY HEALTH SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 393,329	\$ 393,329	\$ 377,982	\$ (15,347)
Intergovernmental	1,225,799	1,225,799	1,310,391	84,592
Charges for Services	1,145,600	1,145,600	1,189,405	43,805
Miscellaneous	23,566	23,566	68,449	44,883
Total Revenues	2,788,294	2,788,294	2,946,227	157,933
EXPENDITURES				
CURRENT				
HEALTH				
Nursing Service	2,788,294	2,788,294	2,848,737	(60,443)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	97,490	<u>\$ 97,490</u>
Fund Balance - Beginning of Year			<u>1,393,536</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 1,491,026</u></u>	

The Notes to Required Supplementary Information are an Integral Part of this Schedule.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017**

I. BUDGETARY INFORMATION

The County Board adopts an annual budget for the following major funds: The General Fund, Public Works Special Revenue Fund, Social Services Special Revenue Fund, and the Community Health Special Revenue Fund. These budgets are prepared on the modified accrual basis of accounting. Annual budgets are not adopted for the Ditch, Energy Assistance, Minnesota Housing Finance, Forfeited Tax Sale, Parks and Trails, and Revolving Loan Special Revenue Funds, Debt Service Fund or Capital Projects Fund.

Based on a process established by the County Board, all departments of the County submit requests for appropriations to the County Auditor-Treasurer each year. After review, analysis and discussions with the departments, the County Auditor-Treasurer's proposed budget is presented to the County Board for review. The County Board holds public hearings and a final budget must be prepared and adopted no later than December 31.

The overall budget is prepared by fund, function, and department. The legal level of budgetary control – the level at which expenditures may not legally exceed appropriations – is the fund level. Budgets may be amended during the year with proper approval.

II. EXCESS OF EXPENDITURES OVER BUDGET

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2017:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Social Services	\$ 8,230,440	\$ 7,997,395	\$ 233,045
Community Health	2,848,737	2,788,294	60,443

These over-expenditures were funded by greater than anticipated revenues and existing fund balance.

III. 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, 2017:

A. General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 % per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2017**

III. DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

B. Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

C. Correctional Fund

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested, deferred members. The CSA has been changed to 35% for vested members and 1% for non-vested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
DECEMBER 31, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payrol ((b-a)/c)
1/1/2012	\$ -	\$ 3,193,927	\$ 3,193,927	- %	\$ 10,059,949	31.7 %
1/1/2014	-	2,589,782	2,589,782	-	10,009,161	25.9
1/1/2016	-	2,987,517	2,987,517	-	9,530,284	31.4

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SUPPLEMENTARY INFORMATION

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
DESCRIPTION OF FUNDS
DECEMBER 31, 2017**

NONMAJOR SPECIAL REVENUE FUNDS

The Energy Assistance Fund is used to account for the revenues and expenditures related to the operation of the energy assistance program.

The Minnesota Housing Finance Fund is used to account for the revenues and expenditures related to the operation of the Minnesota Housing Finance program.

The Forfeited Tax Sale Fund is used to account for the revenues and expenditures related to forfeited tax sales.

The Parks and Trails Fund is used to account for the revenues and expenditures related to the operations and maintenance of the County's parks and trails systems.

The Revolving Loan Fund is used to account for the collection and disbursement of County funds for the purpose of fostering business growth by extending loans for small business development projects.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

AGENCY FUNDS

The Flexible Employee Benefit Plan Agency Fund is used to account for the payroll deductions of employees enrolled in the flexible spending program.

The Todd-Wadena Community Corrections Agency Fund is used to account for the receipt and disbursements of the Todd-Wadena Community Corrections which is a legally separate entity.

The Prepaid Taxes Agency Fund is used to account for the collection and payment of prepaid taxes.

The Region Five Special Taxing District Agency Fund is used to account for the collection and payment of the funds due to Region Five for tax increment financing.

The Watershed Agency Fund is used to account for activities performed as a fiscal agent.

The State Revenue Agency Fund is used to account for assurance collections and payments to the State of Minnesota.

The Taxes and Penalties Agency Fund is used to account for the collection and payment of taxes and penalties in the various taxing districts.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
DESCRIPTION OF FUNDS (CONTINUED)
DECEMBER 31, 2017**

AGENCY FUNDS (CONTINUED)

The Jail Canteen Agency Fund is used to account for the receipts and disbursements of the County's inmates.

The Social Welfare Agency Fund is used to account for the receipts and disbursements of the social welfare account.

The Money Management Agency Fund is used to account for receipts and disbursements of the County's money management clients.

The Todd County Development Agency Fund is used to account for receipts and disbursements of the Todd County Development Commission.

The Todd Soil and Water Conservation District Agency Fund is used to account for receipts and disbursements of the Todd County Soil and Water Conservation District.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Nonmajor Special Revenue Funds		
	Energy Assistance	Minnesota Housing Finance	Forfeited Tax Sale
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 137,965	\$ 188,127
Taxes Receivable - Delinquent	-	-	-
Property Taxes Collected for Subsequent Period	-	-	-
Accounts Receivable	-	11	-
Loans Receivable	-	-	-
Due from Other Governments	58,296	-	-
	\$ 58,296	\$ 137,976	\$ 188,127
Total Assets	\$ 58,296	\$ 137,976	\$ 188,127
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Accounts Payable	\$ 20,448	\$ -	\$ 2,525
Due to Other Funds	37,848	-	75,596
Due to Other Governments	-	-	117,313
	58,296	-	195,434
Total Liabilities	58,296	-	195,434
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	-	-	-
Property Taxes Collected for Subsequent Period	-	-	-
	-	-	-
Total Deferred Inflows of Resources	-	-	-
FUND BALANCES (DEFICIT)			
Restricted			
Revolving Loans	-	-	-
Debt Service	-	-	-
Minnesota Housing Finance	-	137,976	-
Committed			
Parks and Trails	-	-	-
Unassigned	-	-	(7,307)
	-	137,976	(7,307)
Total Fund Balances (Deficit)	-	137,976	(7,307)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 58,296	\$ 137,976	\$ 188,127

<u>Parks and Trails</u>	<u>Revolving Loan</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Funds</u>
\$ 42,202	\$ -	\$ 368,294	\$ 671,204	\$ 1,039,498
319	-	319	17,158	17,477
497	-	497	23,438	23,935
-	-	11	-	11
-	90,000	90,000	-	90,000
-	-	58,296	-	58,296
<u>\$ 43,018</u>	<u>\$ 90,000</u>	<u>\$ 517,417</u>	<u>\$ 711,800</u>	<u>\$ 1,229,217</u>

\$ -	\$ -	\$ 22,973	\$ -	\$ 22,973
-	-	113,444	-	113,444
-	-	117,313	-	117,313
-	-	253,730	-	253,730

234	-	234	12,858	13,092
497	-	497	23,438	23,935
731	-	731	36,296	37,027

-	90,000	90,000	-	90,000
-	-	-	675,504	675,504
-	-	137,976	-	137,976

42,287	-	42,287	-	42,287
-	-	(7,307)	-	(7,307)

<u>42,287</u>	<u>90,000</u>	<u>262,956</u>	<u>675,504</u>	<u>938,460</u>
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<u>\$ 43,018</u>	<u>\$ 90,000</u>	<u>\$ 517,417</u>	<u>\$ 711,800</u>	<u>\$ 1,229,217</u>
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**TODD COUNTY
LONG PRAIRIE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Nonmajor Special Revenue Funds		
	Energy Assistance	Minnesota Housing Finance	Forfeited Tax Sale
REVENUES			
Taxes	\$ -	\$ -	\$ 215,250
Intergovernmental	220,482	-	-
Investment Earnings	-	68	-
Miscellaneous	-	-	5,500
Total Revenues	220,482	68	220,750
EXPENDITURES			
CURRENT			
General Government	-	-	209,309
Human Services	221,653	-	-
Culture and Recreation	-	-	-
DEBT SERVICE			
Principal	-	-	-
Interest	-	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	221,653	-	209,309
NET CHANGE IN FUND BALANCES	(1,171)	68	11,441
Fund Balance (Deficit) - Beginning of Year	1,171	137,908	(18,748)
FUND BALANCE (DEFICIT) - END OF YEAR	\$ -	\$ 137,976	\$ (7,307)

<u>Parks and Trails</u>	<u>Revolving Loan</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Funds</u>
\$ 11,682	\$ -	\$ 226,932	\$ 571,450	\$ 798,382
998	-	221,480	28,926	250,406
-	-	68	-	68
9,750	-	15,250	12,774	28,024
22,430	-	463,730	613,150	1,076,880
-	-	209,309	-	209,309
-	-	221,653	-	221,653
11,561	-	11,561	-	11,561
-	-	-	485,000	485,000
-	-	-	79,888	79,888
-	-	-	2,175	2,175
11,561	-	442,523	567,063	1,009,586
10,869	-	21,207	46,087	67,294
31,418	90,000	241,749	629,417	871,166
<u>\$ 42,287</u>	<u>\$ 90,000</u>	<u>\$ 262,956</u>	<u>\$ 675,504</u>	<u>\$ 938,460</u>

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**TODD COUNTY
LONG PRAIRIE, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
FLEXIBLE EMPLOYEE BENEFIT PLAN FUND				
ASSETS				
Cash and Cash Equivalents	\$ 13,279	\$ 275,445	\$ 284,829	\$ 3,895
LIABILITIES				
Funds Held in Trust	\$ 13,279	\$ 275,445	\$ 284,829	\$ 3,895
TODD-WADENA COMMUNITY CORRECTIONS FUND				
ASSETS				
Cash and Cash Equivalents	\$ 432,174	\$ 1,589,439	\$ 1,694,349	\$ 327,264
LIABILITIES				
Due to Other Governments	\$ 432,174	\$ 1,589,439	\$ 1,694,349	\$ 327,264
PREPAID TAXES FUND				
ASSETS				
Cash and Cash Equivalents	\$ 28,589	\$ 1,032,605	\$ 703,756	\$ 357,438
LIABILITIES				
Due to Other Governments	\$ 28,589	\$ 1,032,605	\$ 703,756	\$ 357,438
REGION 5 SPECIAL TAXING DISTRICT FUND				
ASSETS				
Cash and Cash Equivalents	\$ 947	\$ 26,529	\$ 26,425	\$ 1,051
LIABILITIES				
Due to Other Governments	\$ 947	\$ 26,529	\$ 26,425	\$ 1,051
WATERSHED FUND				
ASSETS				
Cash and Cash Equivalents	\$ 3,838	\$ 82,300	\$ 83,737	\$ 2,401
LIABILITIES				
Due to Other Governments	\$ 3,838	\$ 82,300	\$ 83,737	\$ 2,401

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
STATE REVENUE FUND				
ASSETS				
Cash and Cash Equivalents	\$ 45,119	\$ 624,717	\$ 612,613	\$ 57,223
LIABILITIES				
Due to Other Governments	\$ 45,119	\$ 624,717	\$ 612,613	\$ 57,223
TAXES AND PENALTIES FUND				
ASSETS				
Cash and Cash Equivalents	\$ 488,414	\$ 29,339,051	\$ 29,328,474	\$ 498,991
LIABILITIES				
Due to Other Governments	\$ 488,414	\$ 29,339,051	\$ 29,328,474	\$ 498,991
JAIL CANTEEN				
ASSETS				
Cash and Cash Equivalents	\$ 13,236	\$ 223,356	\$ 230,589	\$ 6,003
LIABILITIES				
Funds Held in Trust	\$ 13,236	\$ 223,356	\$ 230,589	\$ 6,003
SOCIAL WELFARE				
ASSETS				
Cash and Cash Equivalents	\$ 50,577	\$ 636,738	\$ 636,750	\$ 50,565
LIABILITIES				
Funds Held in Trust	\$ 50,577	\$ 636,738	\$ 636,750	\$ 50,565
MONEY MANAGEMENT				
ASSETS				
Cash and Cash Equivalents	\$ 8,558	\$ 123,097	\$ 117,913	\$ 13,742
LIABILITIES				
Funds Held in Trust	\$ 8,558	\$ 123,097	\$ 117,913	\$ 13,742

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
TODD COUNTY DEVELOPMENT				
ASSETS				
Cash and Cash Equivalents	\$ 50,600	\$ 93,036	\$ 98,225	\$ 45,411
LIABILITIES				
Due to Other Governments	\$ 50,600	\$ 93,036	\$ 98,225	\$ 45,411
TODD SOIL AND WATER CONSERVATION DISTRICT				
ASSETS				
Cash and Cash Equivalents	\$ 447,813	\$ 926,465	\$ 572,694	\$ 801,584
LIABILITIES				
Due to Other Governments	\$ 447,813	\$ 926,465	\$ 572,694	\$ 801,584
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 1,583,144	\$ 34,972,778	\$ 34,390,354	\$ 2,165,568
LIABILITIES				
Funds Held in Trust	\$ 85,650	\$ 1,258,636	\$ 1,270,081	\$ 74,205
Due to Other Governments	1,497,494	33,714,142	33,120,273	2,091,363
Total Liabilities	\$ 1,583,144	\$ 34,972,778	\$ 34,390,354	\$ 2,165,568

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2017**

	Total Governmental Funds	Total Enterprise Funds	Total Government
SHARED REVENUE			
STATE			
Highway Users Tax	\$ 5,601,561	\$ -	\$ 5,601,561
Market Value Credit - Agriculture	594,208	-	594,208
PERA Rate Reimbursement	32,921	1,750	34,671
Disparity Reduction Aid	72,751	-	72,751
Police Aid	117,562	-	117,562
Aquatic Invasive Species	154,769	-	154,769
County Program Aid	1,350,255	-	1,350,255
Riparian Protection Aid	113,583	-	113,583
Enhanced 911	100,387	-	100,387
Total Shared Revenue	8,137,997	1,750	8,139,747
REIMBURSEMENT FOR SERVICES			
STATE			
Minnesota Department of Human Services	1,272,023	-	1,272,023
PAYMENTS			
Local			
Local - Payments in Lieu of Taxes	115,492	-	115,492
GRANTS			
LOCAL			
	5,945	-	5,945
STATE			
Minnesota Department/Board of			
Natural Resources	15,840	-	15,840
Health	464,896	-	464,896
Veterans Affairs	10,000	-	10,000
Human Services	927,079	-	927,079
Soil and Water Resources	130,092	-	130,092
Peace Officers	6,359	-	6,359
Pollution Control Agency	70,423	70,307	140,730
Public Safety	2,739	-	2,739
Total State	1,627,428	70,307	1,697,735
FEDERAL			
Department of			
Agriculture	310,910	-	310,910
Interior	1,685	-	1,685
Education	1,933	-	1,933
Health and Human Services	2,241,500	-	2,241,500
Homeland Security	23,423	-	23,423
Transportation	229,977	-	229,977
Total Federal	2,809,428	-	2,809,428
Total State and Federal Grants	4,436,856	70,307	4,507,163
Total Intergovernmental Revenue	\$ 13,968,313	\$ 72,057	\$ 14,040,370

**REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS*
AND SINGLE AUDIT**

**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 County Commissioners
Todd County
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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Todd County's basic financial statements, and have issued our report thereon dated April 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Todd County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of Todd County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Todd County'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questions costs that we consider to be material weaknesses as items 2017-001 to 2017-003.

Compliance and Other Matters

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

Todd County’s Responses to Findings

Todd County’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County’s responses were not subjected to 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 entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Todd County’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose



CliftonLarsonAllen LLP

Brainerd, Minnesota
April 27, 2018

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of County Commissioners
Todd County
Long Prairie, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Todd County's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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.

Opinion on Each Major Federal Program

In our opinion, Todd 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-006. Our opinion on each major federal program is not modified with respect to these matters.

Todd County’s Responses to Findings

Todd County’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Todd County’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-004 to 2017-006 that we consider to be significant deficiencies.

Todd County’s Responses to Findings

Todd County’s responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Todd County’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Board of County Commissioners
Todd County

Report on Internal Control Over Compliance (Continued)

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
April 27, 2018

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**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes no

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? X yes no

Identification of major programs:

CFDA Numbers

93.563
93.778

Name of Federal Program or Cluster

Child Support Enforcement
Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2017**

MATERIAL WEAKNESSES (FINANCIAL REPORTING):

SEGREGATION OF DUTIES (2017-001)

Criteria: County management should always be aware of the need to have adequate segregation of duties regarding the processing of transactions for the County. In addition, County management should be aware that the concentration of duties and responsibilities in one or a very few individuals is not desirable from an internal control perspective.

Condition: Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control, is not in place for various departments/offices in the County.

Cause: The County has a limited number of personnel within several County departments/offices.

Effect: The lack of adequate segregation of duties can result in incorrect financial information, failure to detect misstatements or misappropriations, and the lack of adherence to the County's procedures.

Repeat Finding: Prior year finding identified as Finding 2016-001.

Recommendation: We recommend County management be aware of the lack of segregation of duties within the accounting functions and provide oversight to ensure the internal control policies and procedures are being implemented by organization staff.

VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION:

Contact Person: Denise Gaida, Auditor-Treasurer

Corrective Action Planned: A corrective action is in place.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2017**

MATERIAL WEAKNESSES (FINANCIAL REPORTING) – (CONTINUED):

AUDIT ADJUSTMENTS (2017-002)

Criteria: County management is responsible for establishing and maintaining internal controls for the proper recording of all County's receipts and disbursements, including reclassifications between funds and activity of all investing and savings accounts.

Condition: As part of the audit, we proposed material adjustments for closing the County's books at year-end, recording of accruals, net pension liability and related deferred inflows and outflows of resources, reclassifications of fund balances between categories and revenues and expenditures to the proper accounts.

Cause: The County has a limited number of personnel.

Effect: The design of the internal controls over recording revenues and expenditures, including reclassifications, could affect the ability of the County to detect or prevent errors, a misappropriation of assets, or fraudulent activity.

Repeat Finding: Prior year finding identified as Finding 2016-002.

Recommendation: We recommend County management be consistently aware of all procedures and processes involved in recording receipts, disbursements, and reclassifications, and develop internal control policies to ensure proper recording of these items.

VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION:

Contact Person: Denise Gaida, Auditor-Treasurer

Corrective Action Planned: A corrective action is in place.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2017**

MATERIAL WEAKNESSES (FINANCIAL REPORTING) – (CONTINUED):

FINANCIAL REPORTING PROCESS (2017-003)

Criteria: County management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance applicable accounting and reporting standards.

Condition: As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements. The County does not have an internal control policy in place over preparation or review of the annual financial statements that would enable management to prepare the financial statements and related note disclosures in accordance with applicable accounting and reporting standards. It was also noted that there are lack of controls over several areas of the County, including over cutoff of receivables and payables, completeness and existence of payroll liabilities, and accuracy and classification of payroll. Management reviews and accepts responsibility for the financial statements.

Cause: The County has a limited number of personnel.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the County's internal controls.

Repeat Finding: Prior year finding identified as Finding 2016-003.

Recommendation: We recommend the County continue to evaluate their internal staff capacity to determine if an internal control policy over the preparation of the financial statements and other areas is beneficial.

VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION:

Contact Person: Denise Gaida, Auditor-Treasurer

Corrective Action Planned: A corrective action is in place.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2017**

MAJOR PROGRAM SIGNIFICANT DEFICIENCY

RANDOM MOMENT STUDIES (2017-004)

Federal Agency: U.S. Department of Health and Human Services

Federal Program Title: Medical Assistance Program (Medicaid Cluster)

CFDA Number: 93.778

Pass-Through Agency: Minnesota Department of Human Services

Pass-Through Numbers: 1705MNADM, 1705MN5MAP

Compliance Requirement Affected: Allowable Costs/Activities

Award Period: Year-Ended December 31, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: Federal guidelines for this program allows some costs to be allocated indirectly. The State of Minnesota uses a Random Moment Study (RMS) to allocate payroll indirectly to the Medical Assistance (Medicaid Cluster) program.

Condition and Context: During testing of Income Maintenance and Social Services random moment study listings, we noted two employees were incorrectly reported for income maintenance and one employee for social services. For income maintenance, the employee was coded in the quarterly report as being included on the random moment studies list but was not on the State RMS listing. The County subsequently corrected the reporting of these wages on a subsequent quarter upon discovery of the error in recording of wages. For social services, there was an administrative person's time included in the random moment study account number within the general ledger. However, since all wages for this department are combined on the quarterly report, there was no misreporting.

Questioned Costs: Not able to be determined.

Cause: Unknown.

Effect: Minnesota Department of Human Services did not have accurate listings of income maintenance and social services employees with caseloads, potentially creating an inaccurate amount of indirect costs to be reimbursed to the County for this program in the quarter the work was performed.

Repeat Finding: Prior year finding identified as Finding 2016-007.

Recommendation: We recommend the County review the RMS listings and general ledger coding on a more timely basis to ensure the correct employees are listed.

VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION:

Contact Person: Jackie Och, Health and Human Services Director

Corrective Action Planned: A corrective action is in place.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2017**

MAJOR PROGRAM SIGNIFICANT DEFICIENCY (CONTINUED)

ELIGIBILITY DOCUMENTATION (2017-005)

Federal Agency: U.S. Department of Health and Human Services

Federal Program Title: Medical Assistance Program (Medicaid Cluster)

CFDA Number: 93.778

Pass-Through Agency: Minnesota Department of Human Services

Pass-Through Numbers: 1705MNADM, 1705MN5MAP

Compliance Requirement Affected: Eligibility

Award Period: Year-Ended December 31, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: Requirements for eligibility of the program include ensuring proper documentation is retained for annual renewals of participants.

Condition and Context: During our testing of 40 casefiles, we noted that 1 casefile did not have documentation of an annual renewal application for a disabled child which had changed residences. The child's eligibility benefits were continued without proper documentation on file to support the eligibility criteria.

Questioned Costs: Not able to be determined.

Cause: The child left residence of prior applicant and did not complete a renewal form as he was in between homes.

Effect: Without proper paperwork on file, benefits could be continued to a participant that is no longer eligible.

Repeat Finding: Not applicable.

Recommendation: We recommend that required renewal forms be completed on all participants unless other required paperwork is available as support for eligibility continuation.

VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION:

Contact Person: Jackie Och, Health and Human Services Director

Corrective Action Planned: A corrective action is in place.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2017**

MAJOR PROGRAM SIGNIFICANT DEFICIENCY AND COMPLIANCE:

COMPLIANCE OVER LCTS (LOCAL COLLABORATIVE TIME STUDY) CONTRACT PROVISIONS (2017-006)

Federal Agency: U.S. Department of Health and Human Services

Federal Program Title: Medical Assistance Program (Medicaid Cluster)

CFDA Number: 93.778

Pass-Through Agency: Minnesota Department of Human Services

Pass-Through Numbers: 1705MNADM, 1705MN5MAP

Compliance Requirement Affected: Special Tests and Provisions

Award Period: Year-Ended December 31, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance

Criteria: One component of the county's Medical Assistance federal expenditures is LCTS administrative dollars. These federal grant dollars are governed by a contract between the pass-through agency, Minnesota Department of Human Services, and the County. Per this contract, the County is required to perform five duties in their capacity as reporting and payment agent.

Condition and Context: One of the requirements of the state contract is that the County ensure accurate and timely cost reporting for each organization submitting claims for reimbursement through LCTS. During our testing, the County was unable to provide documentation as evidence that they are monitoring the LCTS participant's reports for accuracy. They did provide documentation evidencing monitoring for timeliness.

Questioned Costs: Not able to be determined.

Cause: The County was unaware of the requirement to review for accuracy and was just monitoring the reports for timeliness.

Effect: The County is out of compliance with the pass-through entity's contract relating to monitoring of participant reports. Without evidence of review and monitoring by the County in its role as reporting and payment agent, there is an increased risk of error in the reports submitted by participants.

Repeat Finding: Not applicable.

Recommendation: We recommend the County review the contract with Minnesota Department of Human Services and implement proper review of reports and document evidence of their review.

VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION:

Contact Person: Jackie Och, Health and Human Services Director

Corrective Action Planned: A corrective action is in place.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2017**

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

DESIGNATING OFFICIAL DEPOSITORY (2017-007)

Criteria: Minnesota Statutes §118A.02, subd. 1 requires each depository of public funds be designated by the county board.

Condition: During our review of county board minutes and inquiry of Auditor-Treasurer, we were not provided with evidence for the last time the Board took action to designate the depositories that the County holds cash and investments with.

Cause: Oversight by management.

Effect: The County is not in compliance with Minnesota Statutes.

Recommendation: We recommend the County review the applicable state statute and take necessary actions to designate the depositories of the County.

CLIENT'S RESPONSE:

The County will review statutes and perform necessary actions to become compliant.

ELECTRONIC FUNDS TRANSFER POLICY AND PROCEDURES (2017-008)

Criteria: Minnesota Statutes §471.38 subds. 3 and 3a govern electronic fund transfer conditions and requirements. This statute requires the County to enact a plan containing the following policy controls: annual delegation of authority to make electronic funds transfers, requiring the disbursing bank to keep a certified copy of delegation of authority, identification of the initiator of each electronic funds transfer, the initiator to document the request and obtain approval for each transfer before initiating the transaction, written confirmation of each transaction within one business day, and a list of transactions to be submitted to the board at the next regular meeting after transaction.

Condition: The County's formal written policy and standard practice around electronic funds transfers do not address all the above requirements.

Cause: Unaware of the statute requirements.

Effect: The County is not in compliance with Minnesota Statutes. Without strong policies and procedures around electronic funds transfers the County is at an increased risk for misappropriation of County funds.

Recommendation: We recommend the County review the applicable statute and adopt policies and procedures to meet requirements and reduce risk around electronic funds transfers.

CLIENT'S RESPONSE:

The County will ensure this annual process is not missed in the future.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2017**

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE (CONTINUED)

TIMELY PAYMENT OF CLAIMS (2017-009)

Criteria: Minnesota Statutes §471.425 requires that all disbursements be paid by the County within 35 days of receipt of the invoice for goods or services.

Condition: During testing performed, 3 out of 40 disbursements tested were paid outside the 35 day statutory required timeframe. One invoice was dated by the vendor 45 days prior to payment. There was no date stamp by the county to evidence the date the County received the invoice. The second invoice was misplaced by a department which led to it being paid 82 days after the date of the invoice. The third invoice was a legal invoice dated March of 2017 but not paid until January 2018.

Cause: Oversight by management.

Effect: The County is not in compliance with Minnesota Statutes.

Recommendation: We recommend the County improve procedures around monitoring invoice processing in order to ensure timely payment of claims.

CLIENT'S RESPONSE:

The County will review current policies and procedures and make improvements to timeliness of processing invoices received.

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health and Morrison County Special Supplemental Nutrition Program for Women, Infants and Children	10.557	172MN004W1003	\$ 121,778
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	<u>227,797</u>
Total Department of Agriculture			349,575
U.S. Department of Interior			
Direct			
National Wildlife Refuge Fund	15.659	Not Applicable	1,687
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction (part of cluster)	20.205	7714208 80120	\$ 138,542 <u>80,399</u> 218,941
Passed Through Minnesota Department of Public Safety and Wadena County State and Community Highway Safety (Part of Highway Safety Cluster) (Total Highway Safety Cluster \$5,027)	20.600	A-ENFRC17-2017- WADENASD-00057	1,208
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC17-2017- WADENASD-00057	4,074
National Priority Safety Programs (Part of Highway Safety Cluster) (Total Highway Safety Cluster \$5,027)	20.616	A-ENFRC17-2017- WADENASD-00057	<u>3,819</u>
Total Department of Transportation			228,042
U.S. Department of Education			
Passed Through Minnesota Department of Education and Morrison County Special Education - Grants for Infants and Families	84.181	H181A160029	1,933
U.S. Department of Health and Human Services			
Direct			
Drug-Free Communities Support Program Grants	93.276	Not Applicable	134,354
Passed Through Minnesota Department of Commerce Low Income Home Energy Assistance	93.568	17B1MNLIEA	218,586
Passed Through Minnesota Department of Health and Human Services and Morrison County			
Public Health Emergency Preparedness	93.069	NU90TP921843	32,892
Universal Newborn Hearing Screening	93.251	H61MC00035	750
Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families 93.558 \$275,006)	93.558	1701MNTANF	34,101
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	34,733

**TODD COUNTY
LONG PRAIRIE, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPS	\$ 1,464
Temporary Assistance for Needy Families (Part of TANF cluster) (Total Temporary Assistance for Needy Families 93.558 \$275,006)	93.558	1701MNTANF	240,905
Child Support Enforcement	93.563	1704MNCSES	\$ 307,014
	93.563	1704MNCES	<u>75,818</u>
			382,832
Refugee and Entrant Assistance State Administered Programs	93.566	1701MNRCA	566
Child Care and Development Block Grant (Part of Child Care Cluster)	93.575	G1701MNCCDF	2,507
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFPRG	6,902
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	1,773
Foster Care Title IV-E	93.658	1701MNFOS	182,439
Social Services Block Grant	93.667	G-1701MNSOSR	159,108
Chafee Foster Care Independence Program	93.674	G-1701MNCILP	3,700
Children's Health Insurance Program	93.767	1705MN5021	279
Medical Assistance Program (Part of Medicaid Cluster)	93.778	1705MNADM 1705MN5MAP	879,925 <u>11,382</u>
			891,307
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010027-17	<u>1,480</u>
Total Department of Health and Human Services			2,330,678
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	R29G40CGFFY16	3,290
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grant	97.042	EMC2016EP00002	<u>20,133</u>
Total Department of Homeland Security			<u>23,423</u>
Total Cash Type Federal Awards			<u>\$ 2,935,338</u>

Notes to the Schedule of Expenditures of Federal Awards

- The schedule of expenditures of federal awards presents the federal award programs expended by Todd County (County). The County's reporting entity is defined in Note 1 to the financial statements. 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 the County, it is not intended to and does not present the financial position or changes in net position of the County.
- Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Todd County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
- There were no expenditures passed through to subrecipients in 2017.
- Reconciliation to the Schedule of Intergovernmental Revenue:

Federal Grant Revenue per Schedule of Intergovernmental Revenue:	\$ 2,809,428
Expenditures above, not included as revenues on the Schedule of Intergovernmental Revenues	225,852
Revenues included on the Schedule of Intergovernmental Revenue that are not considered Federal Grant Expenditures	(99,942)
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 2,935,338</u>

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Todd County
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*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's financial statements as listed in the table of contents and have issued our report thereon dated April 27, 2018.

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minnesota Statutes §6.65 contains seven categories of compliance to be tested: 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 tax increment financing as the County has no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Todd 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 items 2017-007 to 2017-009. 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 County's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Todd County's written responses to the legal compliance findings identified in our audit are described in the schedule of findings and questioned costs. Todd 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.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
April 27, 2018