TODD COUNTY FINANCIAL STATEMENT
For The Year Ended December 31, 2017

TO: The Honorable Board of County Commissioners of Todd County, Minnesota.

The Comprehensive Annual Financial Statement of Todd County for the year ending December 31, 2017, and prepared in accordance U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller General of the United States.

Minnesota state laws require an annual audit of the books of account, financial records and transactions of all Administrative Departments of the County by the Office of the State Auditor. This requirement has been fulfilled.

The Office of CliftonLarsonAllen LLP has issued an opinion on the financial statements and a management and compliance letter covering the review of Todd County's system of internal control and compliance with applicable legal provisions. The opinion and management letter are under separate cover.

Detailed analysis of items contained in this report, additional schedules and analysis of the various funds, account groups and disbursements not required to be published are on file and of record in the office of the County Auditor/Treasurer and are available for public inspection.

Respectfully submitted,

Denise Gaida
Todd County Auditor/Treasurer

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.

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.

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.

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.

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.

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.