STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

TODD-WADENA COMMUNITY CORRECTIONS
LONG PRAIRIE, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

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

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

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

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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TODD-WADENA COMMUNITY CORRECTIONS
LONG PRAIRIE, MINNESOTA

Year Ended December 31, 2016

Audit Practice Division
Office of the State Auditor
State of Minnesota

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TODD-WADENA COMMUNITY CORRECTIONS
LONG PRAIRIE, MINNESOTA

TABLE OF CONTENTS

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TODD-WADENA COMMUNITY CORRECTIONS
LONG PRAIRIE, MINNESOTA

ORGANIZATION SCHEDULE
2016

	Position	County
Joint Powers Board		
Randy Neumann		Todd County
Gary Kneisel		Todd County
Rodney Erickson		Todd County
David Kircher		Todd County
Barb Becker		Todd County
James Hofer		Wadena County
Rodney Bounds		Wadena County
Bill Stearns		Wadena County
Sheldon Monson		Wadena County
Dave Hillukka		Wadena County
Executive Committee		
David Kircher	Vice Chair	Todd County
Barb Becker		Todd County
Sheldon Monson		Wadena County
James Hofer	Chair	Wadena County
Honorable Sally I. Robertson		Todd and Wadena Counties
Naomi Moyer		Wadena County
Jane Gustafson		Todd County
Community Corrections Advisory Board		
Naomi Moyer	Citizen Member	
Gail Honek	Citizen Member	
Connie Nelson	Victim Services	
Mark Hepokoski	Citizen Member	
David Kircher	County Commissioner	Todd County
Barb Becker	County Commissioner	Todd County
Honorable Sally I. Robertson	District Court Judge	
Jane Gustafson	Prosecuting Attorney	Todd County
Kyra Ladd	Prosecuting Attorney	Wadena County
Timothy Churchwell	Public Defender	Todd County
Ryan Ries	Public Defender	Wadena County
Melissa Birkholtz	Police Chief	
H. Michael Carr, Jr.	County Sheriff	Wadena County
Don Asmus	County Sheriff	Todd County
Cindy Pederson	Health Professional	Wadena County
Mike Willie	Social Services Professional	
Patrick Sutlief	Educational Administrator	
Katherine Langer	Correctional Administrator	
Sheldon Monson	County Commissioner	Wadena County
James Hofer	County Commissioner	Wadena County
Shannon Suderman	Senior Corrections Agent	

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Joint Powers Board
Todd-Wadena Community Corrections
Long Prairie, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Todd-Wadena Community Corrections (TWCC) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise TWCC's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to TWCC'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 TWCC'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.

An Equal Opportunity Employer

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Todd-Wadena Community Corrections as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

November 9, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

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TODD-WADENA COMMUNITY CORRECTIONS
LONG PRAIRIE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
(Unaudited)

As management of Todd-Wadena Community Corrections (TWCC), we offer the readers of the financial statements this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2016. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- In 2016, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $714,612 (Exhibit 1), of which $48,640 is invested in capital assets, leaving unrestricted net position of ($763,252).

- Total net position decreased from ($611,842) in 2015 to ($714,612) in 2016, a decrease of $102,770.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements. TWCC's basic financial statements consist of two statements that combine government-wide financial statements and fund financial statements, and notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

Fund financial statements. The first column of each of the first two statements presents governmental fund data. These columns focus on how money flows in and out and the balances left at year-end that are available for spending. They are reported using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. These columns provide a detailed short-term view of the operations and the basic services provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs. We reconcile the relationship (or differences) between governmental funds and governmental activities (reported in the third column) in the center column of each statement.

Government-wide financial statements. The third column in each statement presents the governmental activities' Statement of Net Position and the Statement of Activities, which provide information about the activities of TWCC as a whole and present a longer-term view of the finances. These columns include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of financial position. TWCC's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $714,612 at December 31, 2016.

Net Position

	2016	2015	Increase/ (Decrease)	Percent (%) Change
Assets				
Current and other assets	$ 454,305	$ 466,103	$ (11,798)	(2.53)
Capital assets	48,640	67,557	(18,917)	(28.00)
Total Assets	$ 502,945	$ 533,660	$ (30,715)	(5.76)
Deferred Outflows of Resources				
Deferred pension outflows	$ 534,918	$ 120,853	$ 414,065	342.62
Liabilities				
Current liabilities	$ 70,762	$ 81,850	$ (11,088)	(13.55)
Noncurrent liabilities	1,496,965	1,081,124	415,841	38.46
Total Liabilities	$ 1,567,727	$ 1,162,974	$ 404,753	34.80
Deferred Inflows of Resources				
Deferred pension inflows	$ 184,748	$ 103,381	$ 81,367	78.71
Net Position				
Investment in capital assets	$ 48,640	$ 67,557	$ (18,917)	(28.00)
Unrestricted	(763,252)	(679,399)	(83,853)	(12.34)
Total Net Position	$ (714,612)	$ (611,842)	$ (102,770)	(16.80)

Governmental Activities

TWCC's activities during 2016 decreased net position by $102,770. Intergovernmental revenues accounted for 95.2 percent of total revenues for the year. Key elements in the decrease in net position are as follows:

Changes in Net Position

	2016	2015	Increase/ (Decrease)	Percent (%) Change
Revenues				
Intergovernmental	$ 1,630,761	$ 1,408,250	$ 222,511	15.80
Charges for services	52,041	57,755	(5,714)	(9.89)
Miscellaneous	30,616	22,863	7,753	33.91
Gain on sale of capital assets	-	1,125	(1,125)	(100.00)
Total Revenues	$ 1,713,418	$ 1,489,993	$ 223,425	(15.00)
Expenses				
Public safety	1,816,188	1,636,357	179,831	10.99
Net Change in Net Position	$ (102,770)	$ (146,364)	$ 43,594	29.78
Net Position - January 1	(611,842)	(465,478)	(146,364)	(31.44)
Net Position - December 31	$ (714,612)	$ (611,842)	$ (102,770)	(16.80)

FINANCIAL ANALYSIS OF TWCC AT THE FUND LEVEL

Governmental Fund

The General Fund, the only governmental fund of TWCC, accounts for the primary operations of TWCC, which provides development, implementation, and operation of correctional programs, probation, and parole to Todd and Wadena Counties. TWCC's General Fund reported a fund balance of $383,543 at December 31, 2016.

Revenues for TWCC's General Fund increased by $218,436 from 2015 to 2016, while total expenditures increased by $100,859 during the same period.

As shown in the Statement of Revenues, Expenditures, and Changes in Fund Balance (Exhibit 2) for 2016, intergovernmental revenues totaled $1,625,772, or 95.2 percent, of total revenues.

General Fund Budgetary Highlights

The budgeted expenditures increased by $133,063 in 2016. These changes were offset by corresponding changes in budgeted revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

TWCC's depreciable capital assets (net of accumulated depreciation) at December 31, 2016, totaled $48,640, a decrease of $18,917, or 28.0 percent, from 2015. The investment in capital assets includes buildings, office furniture and equipment, and automobiles.

Long-Term Debt

TWCC had no outstanding debt during 2016.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

TWCC adopted the 2017 budget based on the Minnesota Department of Corrections - Community Corrections Act Subsidy application.

FACTORS BEARING ON TWCC'S FUTURE

The availability of continued grant funding is an ongoing factor bearing on TWCC's financial future. Regarding revenues, the grant amounts are expected to remain the same through June 2017, with the subsidy amount going up for 2017.

CONTACTING TWCC'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, and customers with a general overview of TWCC's finances and to demonstrate TWCC's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Katherine Langer, Director, at (320) 732-6165.

BASIC FINANCIAL STATEMENTS

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TODD-WADENA COMMUNITY CORRECTIONS
LONG PRAIRIE, MINNESOTA

EXHIBIT 1

GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
DECEMBER 31, 2016

	General Fund	Reconciliation	Governmental Activities
Assets and Deferred Outflows of Resources			
Assets			
Current assets			
Cash and pooled investments	$ 432,174	$ -	$ 432,174
Petty cash and change funds	100	-	100
Due from other governments	22,031	-	22,031
Noncurrent assets			
Depreciable capital assets - net	-	48,640	48,640
Total Assets	**$ 454,305**	**$ 48,640**	**$ 502,945**
Deferred Outflows of Resources			
Deferred pension outflows	-	534,918	534,918
Total Assets and Deferred Outflows of Resources	**$ 454,305**	**$ 583,558**	**$ 1,037,863**
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position			
Liabilities			
Current liabilities			
Accounts payable	$ 7,145	$ -	$ 7,145
Salaries payable	63,617	-	63,617
Noncurrent liabilities			
Compensated absences - due within one year	-	36,839	36,839
Compensated absences - due in more than one year	-	147,357	147,357
Net pension liability	-	1,281,225	1,281,225
Other postemployment benefits	-	31,544	31,544
Total Liabilities	**$ 70,762**	**$ 1,496,965**	**$ 1,567,727**
Deferred Inflows of Resources			
Deferred pension inflows		**$ 184,748**	**$ 184,748**
Fund Balance			
Unassigned	383,543	**$ (383,543)**	
Net Position			
Investment in capital assets		$ 48,640	$ 48,640
Unrestricted		(763,252)	(763,252)
Total Net Position		**$ (714,612)**	**$ (714,612)**
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	**$ 454,305**	**$ 583,558**	**$ 1,037,863**

EXHIBIT 1
(Continued)

GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
DECEMBER 31, 2016

Reconciliation of the Governmental Fund Balance to Net Position		
Fund Balance - General Fund	**$**	**383,543**
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		48,640
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the governmental fund.		534,918
Long-term liabilities, including compensated absences, net pension liability, and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the governmental fund.		(1,496,965)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund.		(184,748)
Net Position - Governmental Activities	**$**	**(714,612)**

TODD-WADENA COMMUNITY CORRECTIONS
LONG PRAIRIE, MINNESOTA

EXHIBIT 2

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

	General Fund	Reconciliation	Governmental Activities
Revenues			
Intergovernmental	$ 1,625,772	$ 4,989	$ 1,630,761
Charges for services	52,041	-	52,041
Miscellaneous	30,616	-	30,616
Total Revenues	**$ 1,708,429**	**$ 4,989**	**$ 1,713,418**
Expenditures/Expenses			
Current			
Public safety	1,709,139	107,049	1,816,188
Net Change in Fund Balance/Net Position	**$ (710)**	**$ (102,060)**	**$ (102,770)**
Fund Balance/Net Position - January 1	**384,253**	**(996,095)**	**(611,842)**
Fund Balance/Net Position - December 31	**$ 383,543**	**$ (1,098,155)**	**$ (714,612)**

Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Governmental Activities Statement of Activities

Net Change in Fund Balance		**$ (710)**
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.		
Current year depreciation expense		(18,917)
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 other postemployment benefits	$ (31,544)	
Change in compensated absences payable	26,835	
Change in net pension liability	(411,132)	
Change in deferred outflows of resources	414,065	
Change in deferred pension inflows	(81,367)	(83,143)
Change in Net Position of Governmental Activities		**$ (102,770)**

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

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NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies

Todd-Wadena Community Corrections' (TWCC) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2016. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by TWCC are discussed below.

A. Financial Reporting Entity

TWCC was established in 1976 by Todd and Wadena Counties, pursuant to Minn. Stat. ch. 401. TWCC's primary programs and services are to assist member counties in the development, implementation, and operation of correctional programs, probation, and parole.

The management of TWCC is vested in a Joint Powers Board, composed of the five Commissioners from each participating county. Neither county retains control over the operations or has oversight responsibility for TWCC. 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.

Todd County acts as fiscal agent for TWCC. TWCC participates in two joint ventures described in Note 5.B.

B. Basic Financial Statements

Exhibits 1 and 2 combine fund-level financial statements (General Fund column) and government-wide financial statements (governmental activities column). These statements include the overall financial activities of TWCC.

The governmental activities columns are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. TWCC's net assets are reported in two parts: investment in capital assets and unrestricted net position.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

TWCC reports one governmental fund. The General Fund is TWCC's primary operating fund and accounts for all financial resources of TWCC.

C. Measurement Focus and Basis of Accounting

The governmental activities are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. TWCC considers all revenues as available if collected within 60 days after the end of the current period. Intergovernmental revenue and interest is considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is TWCC's policy to use restricted resources first and then unrestricted resources as needed.

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

1. Cash Deposits

Cash is on deposit with Todd County.

2. Due From Other Governments

Due from other governments are grant-related receivables.

1. Summary of Significant Accounting Policies

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

3. Capital Assets

Capital assets, which consist of buildings, equipment, and automobiles with an initial cost of $2,500 or more and an estimated useful life in excess of one year, are reported in the governmental activities columns in the financial statements. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value.

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

Capital assets of TWCC are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and building improvements	40
Equipment	5
Automobiles (vehicles)	5

4. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated 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 pay 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 governmental activities. The governmental activities column in the statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an estimated amount based on historical usage. The noncurrent portion consists of the remaining amount of vacation and vested sick leave.

1. Summary of Significant Accounting Policies

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

5. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. TWCC has one item, deferred pension inflows, that qualifies for reporting in this category. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

6. Classification of Net Position

Net position in the governmental activities column of the statement of net position is classified in the following categories:

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

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

1. Summary of Significant Accounting Policies

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

      7. Classification of Fund Balance

         Fund balance is divided into classifications based primarily on the extent to which TWCC is bound to observe constraints imposed upon the use of the resources reported in the General Fund.

         Unassigned - the residual classification for the General Fund and includes all spendable amounts.

      8. 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, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

      9. Budgetary Information

         General Budget Policies

         Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The Joint Powers Board adopts estimated revenue and expenditure budgets for the General Fund.

         The budgets may be amended or modified at any time by the Joint Powers Board. Comparisons of the estimated revenues and expenditures to actual are presented as required supplementary information in the financial statements.

1. Summary of Significant Accounting Policies

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

10. Pension Plan

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

E. Revenues and Expenditures

1. Revenues

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating TWCC to administer and perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expenditure is incurred.

1. Summary of Significant Accounting Policies

   E. Revenues and Expenditures

      1. Revenues (Continued)

         Exchange Transactions

         Voluntary exchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

         Charges for services and miscellaneous revenue are generally recognized as revenue when earned.

      2. Expenditures

         Expenditure recognition for the General Fund includes only amounts represented by current liabilities.

2. Detailed Notes

   A. Assets

      1. Deposits

         Cash transactions are administered by the Todd County Auditor/Treasurer who is, according to Minn. Stat. §§ 118A.02 and 118A.04, authorized to deposit cash in financial institutions designated by the County Board. The types of investments available to the County are authorized by Minn. Stat. §§ 118A.04 and 118A.05. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

2. Detailed Notes

A. Assets

1. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, TWCC's deposits may not be returned to it. TWCC does not have a deposit policy for custodial credit risk. As of December 31, 2016, Todd County's deposits were fully insured and collateralized.

2. Receivables

Amounts due from other governments consisted of state grants in the amount of $22,031 at December 31, 2016.

TWCC did not have any receivables scheduled to be collected beyond one year as of December 31, 2016.

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	$ 55,000	$ -	$ -	$ 55,000
Office equipment	42,293	-	38,125	4,168
Automotive	158,446	-	-	158,446
Total capital assets depreciated	$ 255,739	$ -	$ 38,125	$ 217,614
Less: accumulated depreciation for				
Buildings	$ 19,250	$ 1,375	$ -	$ 20,625
Office equipment	41,461	832	38,125	4,168
Automotive	127,471	16,710	-	144,181
Total accumulated depreciation	$ 188,182	$ 18,917	$ 38,125	$ 168,974
Total Capital Assets Depreciated, Net	$ 67,557	$ (18,917)	$ -	$ 48,640

Depreciation expense of $18,917 was charged to TWCC's public safety function for the year ended December 31, 2016.

2. Detailed Notes (Continued)

B. Liabilities

1. Employee Benefits

Employees are granted vacation in varying amounts based on their length of service. Vacation leave accrual varies from 12 to 27 days per year. Sick leave accrual is 12 days per year. TWCC pays unused accumulated vacation to employees upon termination. Unused accumulated vacation is accrued as compensated absences. Sick leave, valued at $273,100 at December 31, 2016, is available to employees in the event of illness-related absences, of which 40 percent is paid upon separation. The 40 percent vested portion of sick leave is included in compensated absences.

2. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 211,031	$ -	$ 26,835	$ 184,196	$ 36,839

3. Defined Benefit Pension Plan

A. Plan Description

All full-time and certain part-time employees of Todd Wadena Community Corrections are covered by a defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees

3. Defined Benefit Pension Plan

   A. Plan Description (Continued)

   Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

   B. Benefits Provided

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

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

   Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each

3. Defined Benefit Pension Plan

B. Benefits Provided (Continued)

year of service. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year.

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

C. Contributions

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

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

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Fund members	9.75

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

TWCC's contributions for the General Employees Retirement Plan for the year ended December 31, 2016, were $76,323. The contributions are equal to the contractually required contributions as set by state statute.

3. Defined Benefit Pension Plan (Continued)

D. Pension Costs

At December 31, 2016, TWCC reported a liability of $1,281,225 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TWCC's proportion of the net pension liability was based on TWCC's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, TWCC's proportion was 0.0158 percent. It was 0.0168 percent measured as of June 30, 2015. TWCC recognized pension expense of $83,423 for its proportionate share of the General Employees Retirement Plan's pension expense.

TWCC also recognized $4,989 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

TWCC's proportionate share of the net pension liability	$ 1,281,225
State of Minnesota's proportionate share of the net pension liability associated with TWCC	16,733
Total	$ 1,297,958

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

3. Defined Benefit Pension Plan

D. Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 105,839
Changes in actuarial assumptions	250,864	-
Difference between projected and actual investment earnings	246,896	-
Changes in proportion	-	78,909
Contributions paid to PERA subsequent to the measurement date	37,158	-
Total	$ 534,918	$ 184,748

The $37,158 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 77,418
2018	77,418
2019	111,879
2020	46,297

E. Actuarial Assumptions

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

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

3. Defined Benefit Pension Plan

E. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables. The cost of living benefit increases for retirees is assumed to be 1.0 percent.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees.

3. Defined Benefit Pension Plan

F. Discount Rate (Continued)

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.

G. Changes in Actuarial Assumptions

The following changes in actuarial assumptions in the General Employees Retirement Plan occurred in 2016:

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

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

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

H. Pension Liability Sensitivity

The following presents TWCC's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what TWCC's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Proportionate Share of the General Employees Retirement Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 1,819,720
Current	7.50	1,281,225
1% Increase	8.50	837,652

3. Defined Benefit Pension Plan (Continued)

I. Pension Plan Fiduciary Net Position

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

4. Other Postemployment Benefits (OPEB)

A. Plan Description

TWCC, through Todd County, provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. TWCC provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

B. Funding Policy

Todd County's policy determines TWCC's contributions to the plan. Active employees who retire from TWCC when eligible to receive a retirement benefit from PERA (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.

C. Annual OPEB Cost and Net OPEB Obligation

TWCC's annual 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 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 accrued liabilities over a period not to exceed 30 years.

The following table shows the components of TWCC's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in TWCC's net OPEB obligation to the plan.

4. Other Postemployment Benefits (OPEB)

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

ARC	$	5,741
Interest on net OPEB obligation		958
Adjustment to ARC		(1,462)
Annual OPEB cost	$	5,237
Contributions made		(1,053)
Increase in net OPEB obligation	$	4,184
Net OPEB Obligation - Beginning of Year		-
Adjustment to Beginning of Year		27,360
Net OPEB Obligation - End of Year	$	31,544

TWCC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2016	$ 5,237	$ 1,053	20.01%	$ 31,544

D. Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, TWCC had no assets deposited to fund the plan. The actuarial accrued liability for benefits was $51,350, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $51,350. The covered payroll (annual payroll of active employees covered by the plan) was $1,076,596, and the ratio of the UAAL to the covered payroll was 4.77 percent.

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

4. Other Postemployment Benefits (OPEB) (Continued)

E. Actuarial Methods and Assumptions

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

For January 1, 2016, the most recent actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions included a 3.5 percent discount rate, which is based on the investment yield expected to finance benefits. TWCC currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 6.75 percent initially, reduced incrementally to an ultimate rate of 5.0 percent.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

TWCC 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. TWCC has entered into a joint powers agreement with Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to protect against liabilities from workers' compensation and property and casualty.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2016 and 2017. Should MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess TWCC in a method and amount to be determined by MCIT.

5. Summary of Significant Contingencies and Other Items

   A. Risk Management (Continued)

   The Property and Casualty Division of MCIT is self-sustaining, and TWCC pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess TWCC in a method and amount to be determined by MCIT.

   TWCC purchases commercial insurance for other risks of loss. There were no significant reductions in insurance in 2016 or settlements in excess of insurance coverage for any of the past three years.

   B. Joint Ventures

   Wadena County Family Service Collaborative

   The Wadena County Family Service Collaborative was established in 1998 under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Wadena County; Independent School District Nos. 818, 820, 821, 2155, and 2170; Otter Tail-Wadena Community Action Council; and TWCC. The purpose of the Collaborative is to provide coordinated family services and to commit resources to an integrated fund.

   Control of the Collaborative is vested in a governing board. TWCC has one member on the Board.

   In the event of a withdrawal from the Collaborative, the withdrawing party must give a 180-day notice. The withdrawing party will remain liable for fiscal obligations incurred prior to the effective date of withdrawal but will incur no additional fiscal liability beyond the effective date of withdrawal.

   Upon termination of the Collaborative, all property and remaining funds will be divided among the remaining members. Distribution will be determined on the basis of number of years of participation by each member and the proportionate contribution paid pursuant to the agreement of the Collaborative members.

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Wadena County Family Service Collaborative (Continued)

Financing is provided by state grants and appropriations from its members. Wadena County, in an agent capacity, reports the cash transactions of the Collaborative as an investment trust fund on the County's financial statements. TWCC contributed $500 to the Collaborative for 2016.

Todd County Family Service Collaborative

The Todd County Family Service Collaborative was established in 1998 under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Todd County; Independent School District Nos. 786, 787, 2170, 2753, and 2759; Freshwater Education District; Tri-County Community Action Program; Rural Minnesota CEP, Inc.; TWCC; 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 Collaborative is vested in a Board of Directors. TWCC has one member on the Board.

In the event of a withdrawal from the Collaborative, the withdrawing party must give a 90-day notice. The withdrawing party will 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 Collaborative at the time of termination will be distributed by resolution of the Board in accordance with law and in a manner to best accomplish the continuing purposes of the Collaborative.

Financing is provided by state grants and appropriations from its members. The Freshwater Education District in Staples is the fiscal agent for the Collaborative. TWCC contributed no funds to the Collaborative for 2016.

REQUIRED SUPPLEMENTARY INFORMATION

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TODD-WADENA COMMUNITY CORRECTIONS
LONG PRAIRIE, MINNESOTA

EXHIBIT A-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental				
State				
Minnesota Department of Corrections	$ 871,572	$ 871,572	$ 865,912	$ (5,660)
Minnesota Department of Revenue	-	-	4,177	4,177
Minnesota Department of Public Safety	82,029	82,029	53,080	(28,949)
Local	778,123	778,123	702,603	(75,520)
Charges for services	-	-	52,041	52,041
Miscellaneous	-	-	30,616	30,616
Total Revenues	**$ 1,731,724**	**$ 1,731,724**	**$ 1,708,429**	**$ (23,295)**
Expenditures				
Current				
Public safety	1,720,227	1,720,227	1,709,139	11,088
Net Change in Fund Balance	**$ 11,497**	**$ 11,497**	**$ (710)**	**$ (12,207)**
Fund Balance - January 1	**384,253**	**384,253**	**384,253**	**-**
Fund Balance - December 31	**$ 395,750**	**$ 395,750**	**$ 383,543**	**$ (12,207)**

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

EXHIBIT A-2

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2016	$ -	$ 51,350	$ 51,350	0.00%	$ 1,076,596	4.77%

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

TODD-WADENA COMMUNITY CORRECTIONS
LONG PRAIRIE, MINNESOTA

EXHIBIT A-3

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Todd-Wadena Community Corrections (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0158%	$ 1,281,225	$ 16,733	$ 1,297,958	$ 1,034,726	123.82%	68.91%
2015	0.0168	870,093	N/A	870,093	958,494	90.78	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A - Not Applicable

TODD-WADENA COMMUNITY CORRECTIONS
LONG PRAIRIE, MINNESOTA

EXHIBIT A-4

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	$ 76,323	$ 76,323	$ -	$ 1,017,037	7.50%
2015	75,096	75,096	-	1,000,775	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
Todd-Wadena Community Corrections'year-end is December 31.

1. Budgetary Information

   Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All annual appropriations lapse at fiscal year-end unless specifically carried over to the next budget year by Board action.

   The budgets may be amended or modified at any time by the Joint Powers Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

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

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

   General Employees Retirement Plan

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

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

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

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Management and Compliance Section

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COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS

Joint Powers Board
Todd-Wadena Community Corrections
Long Prairie, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and the General Fund of Todd-Wadena Community Corrections (TWCC) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise TWCC's basic financial statements, and have issued our report thereon dated November 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of Todd-Wadena Community Corrections' basic financial statements, we considered TWCC's internal control over financial reporting (internal control) as a basis for designing 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 TWCC's internal control. Accordingly, we do not express an opinion on the effectiveness of TWCC'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of TWCC's financial statements will not be prevented, or detected and corrected, on a timely basis.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. Our audit was also not designed to identify

An Equal Opportunity Employer

deficiencies in internal control that might be significant deficiencies. A significant deficiency is a deficiency, or 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. A significant deficiency is reported in the Schedule of Findings and Recommendations as item 1996-001.

TWCC's written response to the internal control finding identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit TWCC's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Joint Powers Board, management, and others within TWCC, and is not intended to be, and should not be, used by anyone other than those specified parties.

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

November 9, 2017

REBECCA OTTO
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**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Joint Powers Board
Todd-Wadena Community Corrections
Long Prairie, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities and the General Fund of Todd-Wadena Community Corrections (TWCC) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise TWCC's basic financial statements, and have issued our report thereon dated November 9, 2017.

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness because TWCC has no public debt, and tax increment financing because TWCC administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that TWCC failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. 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 TWCC's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of the Joint Powers Board and management of TWCC and the State Auditor, and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 9, 2017

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 1996-001

Segregation of Duties

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

Condition: The limited number of staff of Todd-Wadena Community Corrections (TWCC) results in a lack of segregation of duties necessary to ensure adequate internal accounting control. There are inherent risks in safeguarding TWCC's assets and the proper recording of its financial activity.

Context: Due to the limited number of staff within TWCC, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of TWCC; however, TWCC's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in one individual is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties increases the risk of errors or irregularities not being detected timely.

Cause: TWCC informed us that due to the available resources, it would not be able to hire additional qualified accounting staff to more adequately segregate the duties.

Recommendation: We recommend TWCC's Executive Committee continue to be aware of the problem and develop oversight procedures to ensure adequate controls over cash and other items.

View of Responsible Official: Acknowledged

Client's Response:

Regarding segregation of duties, as we have responded in the past, due to the limited number of office personnel within our agency, segregation of accounting functions necessary to ensure adequate internal accounting controls is very difficult. It is our understanding that in smaller operations such as ours, this situation is not unusual. We continue to do our best to segregate duties such as when funds are received from an offender in any of our offices, the staff person receiving the money provides the offender with a receipt and forwards the money to our business office in Long Prairie. The money is again receipted and placed in the Community Corrections' bank account. At the end of the month, the total receipts are forwarded to the Todd County Auditor's Office. The Auditor's Office provides a copy of the month's receipts to the Administrative Assistant in the Long Prairie office who then forwards copies to the secretaries in all the offices. The Executive Committee of Todd-Wadena Community Corrections continues to be made aware of this finding and is aware of the methods we use to address the finding. Beginning in the fall of 2000, we took a further step in addressing the finding by having the Community Corrections' Director review the monthly detailed reports of receipts and disbursements.

Also, effective October 4, 2001, we took another step in addressing the finding by requiring that any form of money being collected by anyone in our agency will be documented through a triplicate receipt. This will allow for person(s) paying the money to have a receipt of the transaction, the person collecting to have a receipt, and for every check or money order being forwarded to the Administrative Assistant to be accompanied by a receipt.

Also, we use numbered receipts for all transactions requiring receipts.