



# LOWER MINNESOTA RIVER WATERSHED DISTRICT

## Executive Summary for Action

Lower Minnesota River Watershed District Board of Managers Meeting

Wednesday October 16, 2019

### **Agenda Item**

#### **Item 6 A. - 2018 Audit Report**

#### **Prepared By**

Linda Loomis, Administrator

#### **Summary**

At the September meeting of the Board of Managers, the Board directed that the 2013 CWF Grant for Seminary Fen be written off and that the District loan \$110,400 to the project to pay the City of Chaska for expenses incurred to construct the project. I spoke to the Auditor about carrying the payment to the City as a loan to the project. The Auditor looked into this and said that because the LMRWD only has the General Fund and the 9' Foot Channel Fund there is not really a way to make a loan to the project. The CWF Grant has been written off and the Audit report has been completed. Payment to the City has been requested. The payment to the City shows on the 2018 Audit as funds owed to other governments, so the obligation has not disappeared from the books.

The Board should determine if they would like to have someone from Redpath to come to the November Board meeting. Redpath has provided hard copies of the 2018 Audit Report for each of the Managers and has filed the report with the State Auditor and BWSR.

#### **Attachments**

Communication with those charged with governance

2018 Audit Report

#### **Recommended Action**

Direct staff to invite Redpath to the November Board meeting. If the Board determines to not invite Redpath to the November Board meeting, the Board should receive and file the 2018 Audit Report.



## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Honorable Managers of the  
Lower Minnesota River Watershed District  
Chaska, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District (the District) for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 9, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The District does not have any significant sensitive estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements that have an effect on our opinion on the financial statements. The following material misstatement detected as a result of audit procedures was corrected by management: grant revenue was overstated and unearned revenue was understated initially by \$385,812 related to the dredge management grant.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 10, 2019.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the budgetary comparison schedule, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the individual fund financial statements and supplementary financial information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and other information sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reports**

Various reports on compliance and internal controls are contained in the other reports section of the audited financial statements document.

#### **Restriction on Use**

This information is intended solely for the information and use of management and Lower Minnesota River Watershed District's Board of Managers and is not intended to be, and should not be, used by anyone other than these specified parties.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

October 10, 2019

**LOWER MINNESOTA RIVER  
WATERSHED DISTRICT**

**ANNUAL FINANCIAL REPORT**

December 31, 2018

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**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
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## **INTRODUCTORY SECTION**

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**LOWER MINNESOTA RIVER WATERSHED DISTRICT**

ORGANIZATION

December 31, 2018

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	<u>Term Expires</u>
<b>Board of Managers:</b>	
Jesse Hartman, President	March 2020
Adam Frey, Vice-President	March 2021
David Raby, Treasurer/Secretary	March 2021
Secretary - Vacant	
Manager - Vacant	
Attorney - John C. Kolb	
Administrator - Linda Loomis	

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Managers of the  
Lower Minnesota River Watershed District  
Chaska, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Lower Minnesota River Watershed District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Report on Summarized Comparative Information***

We have previously audited Lower Minnesota River Watershed District's 2017 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated May 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***Other Matters***

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 30 and 31, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lower Minnesota River Watershed District's basic financial statements. The introductory section, individual fund financial statements, supplementary financial information, and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and supplementary financial information section 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 individual fund financial statements and supplementary financial information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and other information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

October 10, 2019

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## **BASIC FINANCIAL STATEMENTS**

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**

STATEMENT OF NET POSITION

**Statement 1**

December 31, 2018

With Comparative Totals For December 31, 2017

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	Primary Government	
	Governmental Activities	
	2018	2017
Assets:		
Cash and investments	\$2,017,329	\$1,320,519
Property taxes receivable:		
Delinquent	40,019	37,424
Due from county	9,243	4,365
Accounts receivable	20,787	16,929
Due from other governments	-	110,400
Prepaid items	6,082	6,525
Capital assets - nondepreciable	256,167	256,167
Total assets	<u>2,349,627</u>	<u>1,752,329</u>
Liabilities:		
Accounts payable	77,847	85,971
Due to other governments	142,378	137,045
Unearned revenue	405,390	20,325
Total liabilities	<u>625,615</u>	<u>243,341</u>
Net position:		
Net investment in capital assets	256,167	256,167
Unrestricted	1,467,845	1,252,821
Total net position	<u>\$1,724,012</u>	<u>\$1,508,988</u>

The accompanying notes are an integral part of these financial statements.

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 2018  
With Comparative Totals For The Year Ended December 31, 2017

**Statement 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Totals	
					2018	2017
Primary government:						
Governmental activities:						
General government	\$396,825	\$ -	\$ -	\$ -	(\$396,825)	(\$302,407)
Projects	318,010	30,444	(10,712)	-	(298,278)	(200,902)
Total governmental activities	<u>\$714,835</u>	<u>\$30,444</u>	<u>(\$10,712)</u>	<u>\$0</u>	<u>(695,103)</u>	<u>(503,309)</u>
General revenues:						
Property taxes					719,185	712,189
Unrestricted investment earnings					186,098	57,304
Miscellaneous					4,844	1,250
Total general revenues					<u>910,127</u>	<u>770,743</u>
Change in net position					215,024	267,434
Net position - January 1					<u>1,508,988</u>	<u>1,241,554</u>
Net position - December 31					<u>\$1,724,012</u>	<u>\$1,508,988</u>

The accompanying notes are an integral part of these financial statements.

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2018  
With Comparative Totals For December 31, 2017

**Statement 3**

	General Fund	Capital Project	Total Governmental Funds	
		Fund Nine Foot Channel Fund	2018	2017
<b>Assets</b>				
Cash and investments	\$1,652,476	\$364,853	\$2,017,329	\$1,481,963
Taxes receivable:				
Delinquent	40,019	-	40,019	37,424
Due from county	9,243	-	9,243	4,365
Accounts receivable	-	20,787	20,787	16,929
Due from other governments	-	-	-	110,400
Prepaid items	6,082	-	6,082	6,525
<b>Total assets</b>	<b>\$1,707,820</b>	<b>\$385,640</b>	<b>\$2,093,460</b>	<b>\$1,657,606</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>				
<b>Liabilities:</b>				
Cash overdraft	\$ -	\$ -	\$ -	\$161,444
Accounts payable	37,609	40,238	77,847	85,971
Due to other governments	142,378	-	142,378	137,045
Unearned revenue	-	405,390	405,390	20,325
<b>Total liabilities</b>	<b>179,987</b>	<b>445,628</b>	<b>625,615</b>	<b>404,785</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	40,019	-	40,019	37,424
<b>Total deferred inflows of resources</b>	<b>40,019</b>	<b>0</b>	<b>40,019</b>	<b>37,424</b>
<b>Fund balance:</b>				
Nonspendable	6,082	-	6,082	6,525
Assigned	877,880	-	877,880	452,572
Unassigned	603,852	(59,988)	543,864	756,300
<b>Total fund balance</b>	<b>1,487,814</b>	<b>(59,988)</b>	<b>1,427,826</b>	<b>1,215,397</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$1,707,820</b>	<b>\$385,640</b>	<b>\$2,093,460</b>	<b>\$1,657,606</b>
Fund balance reported above			\$1,427,826	\$1,215,397
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.			40,019	37,424
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			256,167	256,167
<b>Net position of governmental activities</b>			<b>\$1,724,012</b>	<b>\$1,508,988</b>

The accompanying notes are an integral part of these financial statements.



**LOWER MINNESOTA RIVER WATERSHED DISTRICT**

STATEMENT OF REVENUE, EXPENDITURES AND

CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For The Year Ended December 31, 2018

With Comparative Totals For The Year Ended December 31, 2017

**Statement 4**

	General Fund	Capital Project Fund	Total Governmental Funds	
		Nine Foot Channel Fund	2018	2017
<b>Revenues:</b>				
Property taxes - current and delinquent	\$667,155	\$49,435	\$716,590	\$706,310
Intergovernmental:				
Grants	(104,900)	94,188	(10,712)	4,500
Investment income	152,701	33,397	186,098	57,304
Dredge site income	-	30,444	30,444	35,051
Miscellaneous	4,844	-	4,844	1,250
Total revenues	<u>719,800</u>	<u>207,464</u>	<u>927,264</u>	<u>804,415</u>
<b>Expenditures:</b>				
Engineering services	37,403	81,975	119,378	37,465
Professional services	158,788	48,605	207,393	206,827
Insurance	7,106	1,776	8,882	8,825
Mileage and travel expenses	2,891	723	3,614	4,984
Office expense	28,025	6,011	34,036	26,968
Managers meeting expenses	2,818	704	3,522	5,410
509 planning/projects	298,610	-	298,610	216,669
Cooperative projects	19,400	-	19,400	20,002
Lobbying	16,000	4,000	20,000	11,925
Total expenditures	<u>571,041</u>	<u>143,794</u>	<u>714,835</u>	<u>539,075</u>
Revenues over expenditures	<u>148,759</u>	<u>63,670</u>	<u>212,429</u>	<u>265,337</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	50,000	50,000	50,000
Transfers out	(50,000)	-	(50,000)	(50,000)
Total other financing sources (uses)	<u>(50,000)</u>	<u>50,000</u>	<u>0</u>	<u>0</u>
Net change in fund balance	98,759	113,670	212,429	265,337
Fund balance (deficit) - January 1	<u>1,389,055</u>	<u>(173,658)</u>	<u>1,215,397</u>	<u>950,060</u>
Fund balance (deficit) - December 31	<u>\$1,487,814</u>	<u>(\$59,988)</u>	<u>\$1,427,826</u>	<u>\$1,215,397</u>

The accompanying notes are an integral part of these financial statements.

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUE,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS**  
For The Year Ended December 31, 2018  
With Comparative Totals For The Year Ended December 31, 2017

**Statement 5**

	<u>2018</u>	<u>2017</u>
Amounts reported for governmental activities in the Statement of Activities (Statement 2) are different because:		
Net changes in fund balance - total governmental funds (Statement 4)	\$212,429	\$265,337
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>2,595</u>	<u>2,097</u>
Change in net position of governmental activities (Statement 2)	<u><u>\$215,024</u></u>	<u><u>\$267,434</u></u>

The accompanying notes are an integral part of these financial statements.

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Lower Minnesota River Watershed District (the District) conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant accounting policies:

**A. REPORTING ENTITY**

The District was established in 1960 under the Minnesota Watershed Act as amended by the Minnesota Water Resources Board. The District covers areas within the following four counties: Carver, Dakota, Hennepin and Scott. The District is operated by a five-member Board of Managers appointed by the respective County boards for staggered three year terms. In accordance with Governmental Accounting Standards Board (GASB) pronouncements and generally accepted accounting principles, the financial statements of the reporting entity should include the primary government and its component units. The District does not have any component units.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *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 for support. The District does not have any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide 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. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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District considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund - is the general operating fund of the District. It is used to account for all financial resources of the District not directly relating to the Nine Foot Channel Fund. Pursuant to Minnesota Statutes 103D, the District may levy up to \$250,000 for General Fund operations. In addition, this fund is used to account for the addition levy, not related to the Nine Foot Channel Fund. These levy funds are used for the purpose discussed in the Watershed Management Plan.

Nine Foot Channel Fund (Capital Project Fund) - is used to account for financial resources to be used for the maintenance of a nine foot channel depth. A designated distance of the Minnesota River within the District's boundaries has been established.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for an allowable use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. BUDGETARY DATA**

The Board of Managers adopts an annual budget for the General Fund of the District. During the budget year, supplemental appropriations and deletions are or may be authorized by the Board. The modified accrual basis of accounting is used by the District for budgeting data. All appropriations end with the fiscal year for which they were made.

The District monitors budget performances on the fund basis. All amounts over budget have been approved by the Board through the disbursement approval process.

The District prepares revenue and expenditure budgets for the District's General Fund. Encumbrance accounting, under which purchase orders, contracts and other commitments of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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**E. CASH AND INVESTMENTS**

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Investment income is allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

Investments are stated at fair value, except for investments in external investment pools that meet GASB Statement No. 79 requirements, which are stated at amortized cost. Investment income is accrued at the balance sheet date.

**F. INVENTORIES**

The original cost of materials and supplies has been recorded as expenditures at the time of purchase. The District does not maintain material amounts of inventories of goods and supplies.

**G. PROPERTY TAX REVENUE RECOGNITION**

The Board of Managers annually adopts a tax levy and certifies it to the County in October (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the District on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The District has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The District recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the District in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the District the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the District in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

**H. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., storm sewers, manholes, control structures, and similar items), and intangible assets such as easements and computer software, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 assets lives are not capitalized.

GASB Statement No. 34 required the District to report and depreciate new infrastructure assets effective with the beginning of the 2004 calendar year. Infrastructure assets include lake improvements, dams and drainage systems. Neither their historical cost nor related depreciation had historically been reported in the financial statements. For governmental entities with total annual revenues of less than \$10 million for the fiscal year ended December 31, 1999 the retroactive reporting of infrastructure is not required under the provisions of GASB Statement No. 34. The District elected to implement the general provisions of GASB Statement No. 34 in 2004 and elected not to report infrastructure assets acquired in years prior to 2003. Land is the only capital asset and is not being depreciated.

The District implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* effective January 1, 2010 which required the District to capitalize and amortize intangible assets. For governmental entities with total annual revenues of less than \$10 million for the fiscal year ended December 31, 1999, the retroactive reporting of intangible assets is not required under the provision of GASB Statement No. 51. The District did not acquire any intangible assets since implementing GASB Statement No. 51.

**I. FUND BALANCE CLASSIFICATIONS**

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

*Nonspendable* - consists of amounts that are not in spendable form, such as prepaid items.

*Restricted* - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - consists of internally imposed constraints. These constraints are established by Resolution of the Board.

*Assigned* - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the Board's intended use. These constraints are established by the District's Board.

*Unassigned* - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the Board's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned.

**J. INTERFUND TRANSACTIONS**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

**K. USE OF ESTIMATES**

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

**L. PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

**M. COMPARATIVE TOTALS**

The basic financial statements, required supplementary information, individual fund financial statements and supplementary financial information include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

**N. RECLASSIFICATIONS**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report 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 (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report 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 will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item,

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

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unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from property taxes.

**P. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The governmental fund statement of revenue, expenditures and changes in fund balance includes a reconciliation between *net changes in fund balance – total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds”. The details of this \$2,595 difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2017	(\$37,424)
At December 31, 2018	<u>40,019</u>
Net adjustments to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$2,595</u></u>

**Note 2 DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District Board, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Board or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes and treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;
- d) Unrated general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s



**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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- Investors Service, Inc. or Standard & Poor's Corporation; and
- f) Time deposits that are fully insured by any federal agency.

The District does not have deposits at December 31, 2018.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that insurance, surety bonds or collateral protect all District deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. The District has no additional policies addressing custodial credit risk.

**B. INVESTMENTS**

Minnesota Statutes authorize the District to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligations of the State of Minnesota or any of its municipalities as follows:
- 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
  - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
  - 3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve system.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

As of December 31, 2018, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Pooled with Carver County	N/A	\$2,017,329

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Pooled investments are not required to be categorized.

**C. INVESTMENT RISK**

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. State law limits investments to commercial paper to those rated in the highest quality category by at least two nationally recognized rating agencies; in any security of the State of Minnesota or any of its municipalities which is rated “A” or better by a national bond rating service for general obligation and rated “AA” or better for a revenue obligation; a general obligation of the Minnesota Housing Finance Agency to those rated “A” or better by a national bond rating agency; mutual funds or money market funds whose investments are restricted to securities described in MS 118A.04. The District does not have an investment policy which further limits its investment choices.

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Organization</u>
Pooled with Carver County	N/A	Not rated

**Interest Rate Risk.** Interest rate risk is the risk that changes in the interest rates of debt investments could adversely affect the fair value of an investment. The District does not have an investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the District’s investment in a single issuer. The District does not have an investment policy which addresses the amount the District may invest in any one issuer.

**Custodial Credit Risk.** For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investment securities that are in the possession of an outside party. As of December 31, 2018, all of the District’s investments were pooled with Carver County.

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**Note 3 RECEIVABLES**

Significant receivables balances not expected to be collected within one year of December 31, 2018 are as follows:

	<u>General Fund</u>
Delinquent property taxes	<u>\$39,000</u>
Total	<u><u>\$39,000</u></u>

**Note 4 UNAVAILABLE REVENUE**

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	<u>Property Taxes</u>
General Fund	<u><u>\$40,019</u></u>

**Note 5 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Balance 12/31/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2018</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	<u>\$256,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$256,167</u>

**Note 6 OPERATING LEASES**

During 2018, the District was obligated under two long-term office equipment operating leases and a building lease. The building lease continues month to month until cancelled by the District, and requires minimum monthly payments of \$650. The original office equipment operating lease was month to month requiring minimum monthly payments of \$216 through October 2018, when the lease was cancelled by the District. The new office equipment operating lease began November 2018 and requires minimum monthly payments of \$168 through October 2023. In 2018, \$10,296 was paid under these lease agreements.

**Note 7 CONTINGENCIES**

The District's management has indicated that there are no existing or pending lawsuits, claims or actions in which the District is a defendant.

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**Note 8 INTERFUND TRANSFERS**

Individual fund transfers for fiscal year 2018 are as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ -	\$50,000
Nine Foot Channel Fund	50,000	-
	<u>\$50,000</u>	<u>\$50,000</u>

During 2018, a transfer was made from the General Fund to reduce the deficit fund balance in the Nine Foot Channel Fund.

**Note 9 FUND BALANCE - CLASSIFICATIONS**

At December 31, 2018, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Nine Foot Channel Fund</u>	<u>Total</u>
Nonspendable:			
Prepaid items	\$6,082	\$ -	\$6,082
Assigned:			
Area #3 Eden Prairie Stabilization	59,050	-	59,050
Gully Erosion Contingency Fund	118,100	-	118,100
Sustainable Lakes Management Plan (Trout Lakes)	39,367	-	39,367
Geomorphic Assessments (Trout Streams)	39,367	-	39,367
Fen Stewardship Program	118,100	-	118,100
District Boundary Modification	7,873	-	7,873
East Chaska Creek Bank Stabilization Project	157,467	-	157,467
Minnesota River Sediment Reduction Strategy	19,683	-	19,683
Data Assessments and Program Review	94,480	-	94,480
Dakota County Groundwater Modeling	27,557	-	27,557
Riley Creek Cooperative Project	153,531	-	153,531
Vegetation Management Standard/Plan	43,303	-	43,303
Unassigned	<u>603,852</u>	<u>(59,988)</u>	<u>543,864</u>
Total	<u>\$1,487,814</u>	<u>(\$59,988)</u>	<u>\$1,427,826</u>

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

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**Note 10 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, errors and omissions and natural disasters for which the District carries insurance policies. The District retains risk for the deductible portions of the insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the previous three fiscal years.

**Note 11 CLEAN WATER ASSISTANCE GRANT**

In 2013, the District entered into a grant agreement through June 30, 2016 for \$220,800 for clean water assistance. The District recorded the first \$110,400 as revenue when received in March 2013, and the second \$110,400 was recorded in May 2016 when the project was complete. As of 12/31/18, the District was notified that the grant was revoked and the second \$110,400 would not be received, resulting in a negative revenue balance in the general fund as follows:

Womp grant revenue	\$5,500
Revoked grant	<u>(110,400)</u>
Net grant revenue	<u><u>(\$104,900)</u></u>

**Note 12 RECENTLY ISSUED ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:

**Statement No. 83 *Certain Asset Retirement Obligations.*** The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

**Statement No. 84 *Fiduciary Activities.*** The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

**Statement No. 87 *Leases.*** The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

**Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*** The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

**Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period.*** The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

**Statement No. 90 *Majority Equity Interests.*** The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

**Statement No. 91 *Conduit Debt Obligations.*** The provisions of this Statement are effective for reporting periods beginning after December 15, 2020.

The effect these standards may have on future financial statements is not determinable at this time.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**Statement 6**

For The Year Ended December 31, 2018

With Comparative Actual Amounts For The Year Ended December 31, 2017

	2018		Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Revenues:					
Property taxes - current and delinquent	\$657,600	\$657,600	\$667,155	\$9,555	\$657,950
Intergovernmental:					
Grants	5,500	5,500	(104,900)	(110,400)	4,500
Investment income	26,000	26,000	152,701	126,701	57,304
Miscellaneous	-	-	4,844	4,844	1,250
Total revenues	<u>689,100</u>	<u>689,100</u>	<u>719,800</u>	<u>30,700</u>	<u>721,004</u>
Expenditures:					
Engineering services	16,000	16,000	37,403	(21,403)	23,229
Professional services	124,880	124,880	158,788	(33,908)	128,981
Insurance	8,000	8,000	7,106	894	7,060
Mileage and travel expenses	6,400	6,400	2,891	3,509	3,987
Office expense	22,320	22,320	28,025	(5,705)	22,474
Managers meeting expenses	10,400	10,400	2,818	7,582	4,328
509 planning/projects	513,000	513,000	298,610	214,390	216,669
Cooperative projects	18,500	18,500	19,400	(900)	20,002
Lobbying	12,000	12,000	16,000	(4,000)	9,540
Total expenditures	<u>731,500</u>	<u>731,500</u>	<u>571,041</u>	<u>160,459</u>	<u>436,270</u>
Revenue over (under) expenditures	<u>(\$42,400)</u>	<u>(\$42,400)</u>	<u>148,759</u>	<u>\$191,159</u>	<u>284,734</u>
Other financing sources (uses):					
Transfers out	-	-	(50,000)	(50,000)	(50,000)
Net change in fund balance	<u>(\$42,400)</u>	<u>(\$42,400)</u>	<u>98,759</u>	<u>\$141,159</u>	<u>234,734</u>
Fund balance - January 1			<u>1,389,055</u>		<u>1,154,321</u>
Fund balance - December 31			<u>\$1,487,814</u>		<u>\$1,389,055</u>

See accompanying notes to the required supplementary information



**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
December 31, 2018

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**Note A   BUDGETS**

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level for the General Fund.

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## **INDIVIDUAL FUND FINANCIAL STATEMENTS**

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**COMPARATIVE BALANCE SHEET**  
**GENERAL FUND**  
December 31, 2018  
With Comparative Totals For December 31, 2017

**Statement 7**

	2018	2017
Assets		
Current assets:		
Cash and investments	\$1,652,476	\$1,481,963
Taxes receivable:		
Delinquent	40,019	37,424
Due from county	9,243	4,365
Due from other governments	-	110,400
Prepaid items	6,082	6,525
Total assets	\$1,707,820	\$1,640,677
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities:		
Accounts payable	\$37,609	\$77,153
Due to other governments	142,378	137,045
Total liabilities	179,987	214,198
Deferred inflows of resources:		
Unavailable revenue	40,019	37,424
Total deferred inflows of resources	40,019	37,424
Fund balance:		
Nonspendable	6,082	6,525
Assigned	877,880	452,572
Unassigned	603,852	929,958
Total fund balance	1,487,814	1,389,055
Total liabilities, deferred inflows of resources and fund balance	\$1,707,820	\$1,640,677

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
For The Year Ended December 31, 2018  
With Comparative Totals For The Year Ended December 31, 2017

**Statement 8**

	<u>2018</u>	<u>2017</u>
Revenues:		
Property taxes - current and delinquent	\$667,155	\$657,950
Intergovernmental:		
Grants	(104,900)	4,500
Investment income	152,701	57,304
Miscellaneous	4,844	1,250
Total revenues	<u>719,800</u>	<u>721,004</u>
Expenditures:		
Engineering services	37,403	23,229
Professional services	158,788	128,981
Insurance	7,106	7,060
Mileage and travel expenses	2,891	3,987
Office expense	28,025	22,474
Managers meeting expenses	2,818	4,328
509 planning/projects	298,610	216,669
Cooperative projects	19,400	20,002
Lobbying	16,000	9,540
Total expenditures	<u>571,041</u>	<u>436,270</u>
Revenue over expenditures	148,759	284,734
Other financing sources (uses):		
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>
Net change in fund balance	98,759	234,734
Fund balance - January 1	<u>1,389,055</u>	<u>1,154,321</u>
Fund balance - December 31	<u><u>\$1,487,814</u></u>	<u><u>\$1,389,055</u></u>

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**COMPARATIVE BALANCE SHEET**  
**CAPITAL PROJECT FUND - NINE FOOT CHANNEL FUND**  
December 31, 2018  
With Comparative Totals For December 31, 2017

**Statement 9**

	<u>2018</u>	<u>2017</u>
Assets		
Current assets:		
Cash and investments	\$364,853	\$ -
Accounts receivable	<u>20,787</u>	<u>16,929</u>
Total assets	<u><u>\$385,640</u></u>	<u><u>\$16,929</u></u>
Liabilities and Fund Balance		
Liabilities:		
Cash overdraft	\$ -	\$161,444
Accounts payable	40,238	8,818
Unearned revenue	<u>405,390</u>	<u>20,325</u>
Total liabilities	<u><u>445,628</u></u>	<u><u>190,587</u></u>
Fund balance:		
Unassigned	<u>(59,988)</u>	<u>(173,658)</u>
Total fund balance	<u><u>(59,988)</u></u>	<u><u>(173,658)</u></u>
Total liabilities and fund balance	<u><u>\$385,640</u></u>	<u><u>\$16,929</u></u>

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**CAPITAL PROJECT FUND - NINE FOOT CHANNEL FUND**  
For The Year Ended December 31, 2018  
With Comparative Totals For The Year Ended December 31, 2017

**Statement 10**

	<u>2018</u>	<u>2017</u>
Revenues:		
Property taxes current	\$49,435	\$48,360
Intergovernmental:		
Grants	94,188	-
Investment income	33,397	-
Dredge site income	30,444	35,051
Total revenues	<u>207,464</u>	<u>83,411</u>
Expenditures:		
Engineering services	81,975	14,239
Professional services	48,605	77,846
Insurance	1,776	1,765
Mileage and travel expenses	723	997
Office expense	6,011	4,494
Managers meeting expenses	704	1,082
Lobbying	4,000	2,385
Total expenditures	<u>143,794</u>	<u>102,808</u>
Revenue over (under) expenditures	63,670	(19,397)
Other financing sources (uses):		
Transfers in	<u>50,000</u>	<u>50,000</u>
Net change in fund balance	113,670	30,603
Fund balance (deficit) - January 1	<u>(173,658)</u>	<u>(204,261)</u>
Fund balance (deficit) - December 31	<u><u>(\$59,988)</u></u>	<u><u>(\$173,658)</u></u>

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## **SUPPLEMENTARY FINANCIAL INFORMATION**

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**SCHEDULE OF 509 PLANNING/PROJECT EXPENDITURES**  
December 31, 2018  
With Comparative Totals For December 31, 2017

**Exhibit 1**

	<u>2018</u>	<u>2017</u>
Expenditures:		
Riley Creek cooperative project	\$75,075	\$2,646
Resource plan implementation	6,690	-
Monitoring	59,730	50,291
Watershed management plan	66,988	99,895
Public education	20,064	42,602
Cost share program	16,630	14,819
East Chaska creek	6,448	-
Municipal project reviews	46,985	6,416
	<u>46,985</u>	<u>6,416</u>
Total expenditures	<u><u>\$298,610</u></u>	<u><u>\$216,669</u></u>

**OTHER INFORMATION - UNAUDITED**

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**SCHEDULE OF CUMULATIVE EXPENDITURES**  
December 31, 2018

**Table 1**  
**Page 1 of 2**

	Cumulative Total Through 2017	2018 Activity	Cumulative Total Through 2018
Expenditures:			
General and administrative expenses	\$7,878,588	\$247,673	\$8,126,261
Special projects:			
Assumption Creek	8,642	-	8,642
Nichols Fen / Harnack / Kennealy Creeks	3,330	-	3,330
City of Burnsville	305	-	305
Chaska	1,231	-	1,231
Seminary Fen	409,760	37,200	446,960
Met Council	771	-	771
Chaska Creek	56,093	-	56,093
Chaska Lanes	5,219	-	5,219
Willow Creek	37,716	-	37,716
Groundwater monitoring	255,188	59,730	314,918
LMR model	51,105	-	51,105
Savage Fen	21,449	-	21,449
Fort Snelling State Park roadway relocation	60,023	-	60,023
Office of water resource and research	36,200	-	36,200
Mohr Park - Bloomington well project	11,956	-	11,956
Aerial photos	6,100	-	6,100
East Chaska Creek diversion	42,517	6,448	48,965
Special study	4,968	-	4,968
Legislative committee hearing	7,056	-	7,056
Flood plain - regulations and litigation	15,064	-	15,064
Cooperative projects with municipalities	1,339,258	-	1,339,258
Contingency reserve	10,884	-	10,884
State flood plain analysis	5,150	-	5,150
Savage - Credit River	24,465	-	24,465
Department of Natural Resources - Rice Lake	140	-	140
Off Channel fleeting	9,849	-	9,849
Deans Lake	25,797	-	25,797
Environmental assessment for McGowan Barge	1,357	-	1,357
Scott County - Historical Park	5,000	-	5,000
Scott County - Murphy's Landing	60,430	-	60,430
Prior Lake - Spring Lake	21,167	-	21,167
Casperson landing cooperative project	44,874	-	44,874
River bank stabilization	76,058	-	76,058
General benefit projects	773	-	773
Metro Council gauging station	46,802	-	46,802
55/62 intersection	6,538	-	6,538
Eagle Creek	110,202	-	110,202
Data collection	33,700	-	33,700
Resource plan implementation	91,222	6,690	97,912
Eden Prairie SWMP	1,554	-	1,554
Nichols Fen	4,949	-	4,949
Courthouse - firearms - clayhole	32,649	-	32,649
Cooperative project contingency reserve	33,210	-	33,210
Trout stream	904	-	904

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**SCHEDULE OF CUMULATIVE EXPENDITURES**  
 December 31, 2018

	Cumulative Total Through 2017	2018 Activity	Cumulative Total Through 2018
Expenditures (con't):			
BWSR Challenge Grant engineer	\$6,106	\$ -	\$6,106
Rainwater garden	35,000	-	35,000
Gully erosion inventory	7,000	-	7,000
Dakota County Fen	2,778	-	2,778
Miscellaneous	36,477	46,985	83,462
509 Plan general	27,641	-	27,641
Local management plans	11,217	16,601	27,818
Management plan	463,970	64,687	528,657
Chaska Lakes	12,171	-	12,171
Watershed assistance	7,881	-	7,881
Natural resources map	276	-	276
Public education	107,025	23,528	130,553
Strategic Resource evaluation	79,771	-	79,771
Cost share program	45,432	16,630	62,062
USGS	84,399	19,400	103,799
Long Meadow Outfall	100,000	-	100,000
Gully stabilization	875	-	875
Dred Scott Water Reuse Project	21,053	-	21,053
Nine Foot Channel	137,912	94,188	232,100
Riley Creek	91,626	75,075	166,701
	<u>\$12,178,823</u>	<u>\$714,835</u>	<u>\$12,893,658</u>
Total expenditures			

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## **OTHER REPORTS**

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## REPORT ON INTERNAL CONTROL

To the Board of Managers and Management  
Lower Minnesota River Watershed District  
Chaska, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Lower Minnesota River Watershed District'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 Lower Minnesota River Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lower Minnesota River Watershed District's internal control.

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

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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control presented in the Schedule of Findings and Responses as 2018-001 to be a material weakness.

This communication is intended solely for the information and use of management, Lower Minnesota River Watershed District's Board of Managers, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

October 10, 2019

Lower Minnesota River Watershed District  
Report on Internal Control  
Schedule of Findings and Responses

**2018-001 Audit Adjustments / Year-end Closing Process**

*Criteria:* Material audit adjustments are considered to be a deficiency in internal control.

*Condition:* During the course of our audit, we identified an adjustment to the financial statements related to the recording of dredge management revenue. The District had recorded a \$480,000 grant as revenue in 2018; however, only \$94,188 of the total grant was earned as of December 31, 2018, and the remaining balance was unearned revenue as of December 31, 2018.

*Cause:* Lower Minnesota River Watershed District's (the District) year-end closing process did not identify this correction prior to the audit.

*Effect:* By not having effective closing and review controls, there is an increased risk that financial statement misstatements could occur and not be detected in a timely basis.

*Recommendation:* We recommend the District continue efforts to assure that all adjustments are identified during the year-end closing process.

*Management Response:* The District will continue to monitor and develop processes to ensure the financial statements are reviewed and any misstatements are detected and prevented on a timely basis.



## MINNESOTA LEGAL COMPLIANCE REPORT

To the Honorable Managers of the  
Lower Minnesota River Watershed District  
Chaska, 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 each major fund of Lower Minnesota River Watershed District, as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Lower Minnesota River Watershed District's basic financial statements, and have issued our report thereon dated October 10, 2019.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the above listed categories, except we did not test for compliance with the provisions for contract and bidding and tax increment financing because Lower Minnesota River Watershed District has no applicable contracts or tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Lower Minnesota River Watershed District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Lower Minnesota River Watershed District's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the Lower Minnesota River Watershed District and the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

October 10, 2019

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