

**YELLOW MEDICINE RIVER  
WATERSHED DISTRICT  
AUDITED FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2017**

**YELLOW MEDICINE RIVER WATERSHED DISTRICT  
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FOR THE YEAR ENDED DECEMBER 31, 2017**

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**YELLOW MEDICINE RIVER WATERSHED DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

**GOVERNING BOARD AND ADMINISTRATIVE PERSONNEL**  
**December 31, 2017**

**Governing Board**

|                  |              |
|------------------|--------------|
| President        | Tim Buysse   |
| Vice President   | James Kraus  |
| Secretary        | John Boulton |
| Treasurer        | Tim Dritz    |
| Public Relations | Elmo Volstad |

**Administrative Personnel**

|               |                     |
|---------------|---------------------|
| Administrator | Michelle Overholser |
|---------------|---------------------|

# RICHARD W. HOLMBERG, LTD

## Certified Public Accountants

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### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Yellow Medicine River Watershed District  
122 North Jefferson  
Minneota, MN 56264

We have audited the accompanying financial statements of the governmental activities and the major fund, the general fund, of Yellow Medicine River Watershed District, as of and for the fiscal year ended December 31, 2017, which collectively comprise the entity'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 and the provisions of the Minnesota Legal Compliance Audit Guide for Local Governments, promulgated by the Legal Compliance Task Force pursuant to Minnesota Statute 6.65. 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**

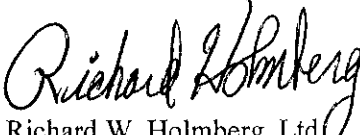
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund, the general fund, of the Yellow Medicine River Watershed District, as of December 31, 2017, and the respective changes in financial position for the fiscal 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 on pages 4 through 6 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 2018, on our consideration of the Yellow Medicine River Watershed District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
Richard W. Holmberg, Ltd  
Certified Public Accountants

October 8, 2018

**YELLOW MEDICINE RIVER WATERSHED DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

This section of the annual financial report of Yellow Medicine River Watershed District, (the Entity) presents a discussion and analysis of the Entity's financial performance during the fiscal year ended December 31, 2017. Please read it in conjunction with the Entity's basic financial statements following this section.

***Financial Highlights***

- The assets of the Entity exceeded liabilities by \$295,757. Of this amount, \$95,434 is restricted for future use in flood control projects by legal regulations or board designations.
- The Entity's total net position for the current year decreased by \$11,912.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$200,323 which adequately covers the total administrative expenditures of \$176,301.
- Total project expenditures exceeded total project revenue by \$73,894.

***Using the Financial Section of this Annual Financial Report***

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Entity as a whole and presents a longer-term view of the Entity's finances. Fund financial statements are presented after the Statement of Activities. The notes to the basic financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

***Statement of Net Position and Statement of Activities***

Our analysis of Yellow Medicine River Watershed District, begins with the Statement of Net Position and the Statement of Activities, which can be found on pages 7 and 8 of this report. One of the most important questions asked about the Entity's finances is, "Is the Entity as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities both report information about the Entity as a whole and about its activities in a way that helps answer this question. These financial statements include *all* assets and liabilities using the *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.

These two statements report the Entity's net position and changes in it. You can think of the Entity's net position – the difference between assets and liabilities – as one way to measure the Entity's financial health, or *financial position*. Over time, *increases or decreases* in the Entity's net assets are one indicator of whether the Entity's financial health is improving or deteriorating. You will need to consider other non-financial factors however, to assess the *overall health* of Yellow Medicine River Watershed District.

**YELLOW MEDICINE RIVER WATERSHED DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

*Fund Financial Statements*

Our analysis of Yellow Medicine River Watershed's major fund addresses the fund financial statements of the general fund and the special revenue funds. All of the Entity's basic services are reported in the governmental fund. Governmental funds focus on how money flows into and out of this fund and the balances left at the year-end that are available for spending. These funds are reported using the cash basis of accounting, which measures cash as it come in as revenue and as it goes out as expenditures. The governmental fund statements provide a detailed short-term view of the Entity's general government operations. Governmental fund information helps the reader of the statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the Entity's programs.

*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. The notes to the financial statements can be found on pages 16-24 of this report.

*Statement of Net Position*

Yellow Medicine River Watershed's net position decreased from one year ago. Our analysis below focuses on the net assets (Table 1) of the Entity's governmental activities.

Table 1 - Statement of Net Position

|                                    | December 31, 2017 |
|------------------------------------|-------------------|
| Current and other assets           | \$ 390,529        |
| Total assets and deferred outflows | 390,529           |
| Current and other liabilities      | 95,428            |
| Net Position                       |                   |
| Unrestricted                       | 199,667           |
| Restricted                         | 95,434            |
| Total net position                 | 295,101           |
| Total liabilities and net position | \$ 390,529        |

Net position of the Entity's governmental activities decreased by \$11,912. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints, decreased primarily due to a large increase in project expenditures.

**YELLOW MEDICINE RIVER WATERSHED DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Table 2 - Statement of Activities

|                          | <u>December 31, 2017</u> |
|--------------------------|--------------------------|
| Revenues:                |                          |
| County Assessments       | \$ 646,592               |
| Projects                 | 77,593                   |
| Interest                 | 2,479                    |
| Miscellaneous            | 11,554                   |
| Charges for Services     | 3,301                    |
| State of Minnesota       | 18,155                   |
|                          | <u>759,674</u>           |
| Expenses:                |                          |
| Administration           | 201,452                  |
| Project Expenses         | 570,134                  |
| Total Expenses           | <u>771,586</u>           |
| Change in Net Position   | (11,912)                 |
| Net Position - Beginning | 307,013                  |
| Net Position - Ending    | <u>\$ 295,101</u>        |

***Grant Funding:***

The Yellow Medicine Watershed District received little grant funding compared to recent years. An amount of \$9,294 was received for the Performance Review and Assistance Program (PRAP) Grant.

***Contacting the Entity's Financial Management:***

This financial report is designed to provide the users with a general overview of the Entity's finances and to show the Entity's accountability for the money it receives. If you have any questions about this report or need additional information, contact the office at 122 North Jefferson, Minneota, MN 56264. The telephone number is 507-872-6720.



# Yellow Medicine River Watershed District

## Statement of Net Position

Cash Basis

December 31, 2017

|                                           | Governmental Funds |                |
|-------------------------------------------|--------------------|----------------|
|                                           | 2017               |                |
| <b>ASSETS</b>                             |                    |                |
| Cash and Cash Equivalents                 |                    |                |
| Unrestricted Cash                         | \$                 | 295,095        |
| Due from Other Funds                      |                    | 95,434         |
| <b>Total Assets</b>                       | <b>\$</b>          | <b>390,529</b> |
| <b>LIABILITIES</b>                        |                    |                |
| Due to Other Funds                        |                    | 95,428         |
| <b>Total Liabilities</b>                  | <b>\$</b>          | <b>95,428</b>  |
| <b>NET POSITION</b>                       |                    |                |
| Net Investment in Capital Assets          |                    |                |
| Restricted for:                           |                    |                |
| Ditches                                   |                    | 95,434         |
| Unrestricted                              |                    | 199,667        |
| <b>Total Net Position</b>                 |                    | <b>295,101</b> |
| <b>Total Liabilities and Net Position</b> | <b>\$</b>          | <b>390,529</b> |

See Accompanying Notes to Financial Statements

## Yellow Medicine River Watershed District

### Statement of Activities

Cash Basis

December 31, 2017

| <u>Functions</u>      | <u>Expenses</u> | <u>Charges for<br/>Services</u> | <u>Operating Grants<br/>and Contributions</u> | <u>Capital Grants and<br/>Contributions</u> | <u>Total Governmental<br/>Activities</u> |
|-----------------------|-----------------|---------------------------------|-----------------------------------------------|---------------------------------------------|------------------------------------------|
| Government Activities |                 |                                 |                                               |                                             |                                          |
| Administration        | \$ 201,452      | \$ 3,301                        |                                               |                                             | \$ (198,151)                             |
| Projects              | 570,134         |                                 | 95,748                                        |                                             | (474,386)                                |
| Total                 | <u>771,586</u>  | <u>3,301</u>                    | <u>95,748</u>                                 | <u>-</u>                                    | <u>(672,537)</u>                         |

#### General Revenues

Property Taxes Levied for:

General Purposes

646,592

Earnings on Investments

2,479

Miscellaneous

11,554

Total General Revenues

660,625

Change in Net Position

(11,912)

Net Position - Beginning

307,013

Net Position - Ending

\$ 295,101

See Accompanying Notes to Financial Statements

**Yellow Medicine Watershed District**

Combined Balance Sheet

Cash Basis

December 31, 2017

| ASSETS                                                                            | General           | Major Special Revenue Funds |                  |                  |                  | Non-Major                | Total             |
|-----------------------------------------------------------------------------------|-------------------|-----------------------------|------------------|------------------|------------------|--------------------------|-------------------|
|                                                                                   | Fund              | Ditch 2                     | Ditch 4          | Ditch 7          | Ditch 8          | Special<br>Revenue Funds | Memo Only         |
| Cash and Cash Equivalents                                                         |                   |                             |                  |                  |                  |                          |                   |
| Cash                                                                              | \$ 295,095        | \$ -                        | \$ -             | \$ -             | \$ -             | \$ -                     | \$ 295,095        |
| Due from Other Funds                                                              | -                 | 17,820                      | 12,048           | 28,371           | 16,773           | 20,422                   | 95,434            |
| <b>Total Assets</b>                                                               | <b>\$ 295,095</b> | <b>\$ 17,820</b>            | <b>\$ 12,048</b> | <b>\$ 28,371</b> | <b>\$ 16,773</b> | <b>\$ 20,422</b>         | <b>\$ 390,529</b> |
| <b>LIABILITIES AND FUND BALANCES</b>                                              |                   |                             |                  |                  |                  |                          |                   |
| Liabilities:                                                                      |                   |                             |                  |                  |                  |                          |                   |
| Due to Other Funds                                                                | 95,428            | -                           | -                | -                | -                | -                        | 95,428            |
| <b>Total Liabilities</b>                                                          | <b>95,428</b>     |                             |                  |                  |                  |                          | <b>95,428</b>     |
| Fund Balances:                                                                    |                   |                             |                  |                  |                  |                          |                   |
| Restricted                                                                        | -                 | 17,820                      | 12,048           | 28,371           | 16,773           | 20,422                   | 95,434            |
| Assigned                                                                          | (121,872)         | -                           | -                | -                | -                | -                        | (121,872)         |
| Unassigned                                                                        | 321,539           | -                           | -                | -                | -                | -                        | 321,539           |
| <b>Total Fund Balances</b>                                                        | <b>199,667</b>    | <b>17,820</b>               | <b>12,048</b>    | <b>28,371</b>    | <b>16,773</b>    | <b>20,422</b>            | <b>295,101</b>    |
| <b>Total Liabilities, Deferred Inflows of Future Resources, and Fund Balances</b> | <b>\$ 295,095</b> | <b>\$ 17,820</b>            | <b>\$ 12,048</b> | <b>\$ 28,371</b> | <b>\$ 16,773</b> | <b>\$ 20,422</b>         | <b>\$ 390,529</b> |

**Yellow Medicine River Watershed District**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - All Governmental Fund Types - Cash Basis  
December 31, 2017

|                                                                                       | Governmental Fund Types |                          | Totals<br>(Memorandum Only) |
|---------------------------------------------------------------------------------------|-------------------------|--------------------------|-----------------------------|
|                                                                                       | General<br>Fund         | Special Revenue<br>Funds | 2017                        |
| <b>Revenues:</b>                                                                      |                         |                          |                             |
| County Assessments                                                                    | \$ 637,052              | \$ 9,540                 | \$ 646,592                  |
| Interest                                                                              | 1,803                   | 676                      | 2,479                       |
| Miscellaneous                                                                         | 11,554                  | -                        | 11,554                      |
| Permit Fines                                                                          | 2,500                   | -                        | 2,500                       |
| Projects                                                                              | 77,593                  | -                        | 77,593                      |
| Rent                                                                                  | 801                     | -                        | 801                         |
| State of Minnesota                                                                    | 18,155                  | -                        | 18,155                      |
| <b>Total Revenues</b>                                                                 | <b>749,458</b>          | <b>10,216</b>            | <b>759,674</b>              |
| <b>Expenditures:</b>                                                                  |                         |                          |                             |
| Dues and Fees                                                                         | 4,150                   | -                        | 4,150                       |
| Education                                                                             | 3,866                   | -                        | 3,866                       |
| Insurance                                                                             | 6,660                   | -                        | 6,660                       |
| Meals                                                                                 | 2,768                   | -                        | 2,768                       |
| Meetings                                                                              | 150                     | -                        | 150                         |
| Mileage                                                                               | 6,011                   | -                        | 6,011                       |
| Office Expense                                                                        | 7,174                   | -                        | 7,174                       |
| Payroll Taxes and Benefits                                                            | 34,807                  | -                        | 34,807                      |
| Professional Fees                                                                     | 34,985                  | -                        | 34,985                      |
| Publishing                                                                            | 1,225                   | -                        | 1,225                       |
| Rent                                                                                  | 6,000                   | -                        | 6,000                       |
| Projects                                                                              | 547,424                 | 22,710                   | 570,134                     |
| Salaries                                                                              | 89,755                  | -                        | 89,755                      |
| Supplies                                                                              | 545                     | -                        | 545                         |
| Telephone                                                                             | 3,356                   | -                        | 3,356                       |
| <b>Total Expenditures</b>                                                             | <b>748,876</b>          | <b>22,710</b>            | <b>771,586</b>              |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b>                              | <b>582</b>              | <b>(12,494)</b>          | <b>(11,912)</b>             |
| Excess (Deficiency) of Revenues and Other Sources<br>over Expenditures and Other Uses | 582                     | (12,494)                 | (11,912)                    |
| Fund Balance - January 1                                                              | 199,085                 | 107,928                  | 307,013                     |
| <b>Fund Balance - December 31</b>                                                     | <b>\$ 199,667</b>       | <b>\$ 95,434</b>         | <b>\$ 295,101</b>           |

**Yellow Medicine Watershed District**  
 General Fund  
 Balance Sheet - Cash Basis  
 Administrative and Named Projects  
 December 31, 2017

|                                           | Administration    | River Maintenance | Beaver Control   | MPCA Contract | PRAP Grant     | FEMA 2014   | Ditch 39 Petition | Ditch 38 Petition | One Watershed One Plan | BWSR Terrain Analysis Grant | Elimination of Interrelated Transactions | Total (Memo Only) |
|-------------------------------------------|-------------------|-------------------|------------------|---------------|----------------|-------------|-------------------|-------------------|------------------------|-----------------------------|------------------------------------------|-------------------|
| <b>ASSETS AND OTHER DEBITS</b>            |                   |                   |                  |               |                |             |                   |                   |                        |                             |                                          |                   |
| Assets:                                   |                   |                   |                  |               |                |             |                   |                   |                        |                             |                                          |                   |
| Cash                                      | \$ 295,095        |                   |                  |               |                |             |                   |                   |                        |                             |                                          | \$ 295,095        |
| Due from Special Revenue Funds            | 26,443            | \$ 5,812          | \$ 12,473        | \$ 155        | \$ -           | \$ 547      | \$ -              | \$ -              | \$ -                   | \$ -                        | \$ (45,430)                              | -                 |
| <b>TOTAL ASSETS</b>                       | <u>321,538</u>    | <u>5,812</u>      | <u>12,473</u>    | <u>155</u>    | <u>-</u>       | <u>547</u>  | <u>-</u>          | <u>-</u>          | <u>-</u>               | <u>-</u>                    | <u>(45,430)</u>                          | <u>295,095</u>    |
| <b>LIABILITIES AND FUND EQUITY</b>        |                   |                   |                  |               |                |             |                   |                   |                        |                             |                                          |                   |
| Liabilities:                              |                   |                   |                  |               |                |             |                   |                   |                        |                             |                                          |                   |
| Due to Special Revenue Fund               | -                 | -                 | -                | -             | 9,578          | -           | 57,503            | 56,311            | 4,168                  | 13,298                      | (45,430)                                 | 95,428            |
| <b>TOTAL LIABILITIES</b>                  | <u>-</u>          | <u>-</u>          | <u>-</u>         | <u>-</u>      | <u>9,578</u>   | <u>-</u>    | <u>57,503</u>     | <u>56,311</u>     | <u>4,168</u>           | <u>13,298</u>               | <u>(45,430)</u>                          | <u>95,428</u>     |
| <b>EQUITY</b>                             |                   |                   |                  |               |                |             |                   |                   |                        |                             |                                          |                   |
| Fund Equity:                              |                   |                   |                  |               |                |             |                   |                   |                        |                             |                                          |                   |
| Fund Balance                              |                   |                   |                  |               |                |             |                   |                   |                        |                             |                                          |                   |
| Assigned                                  | 321,539           | 5,812             | 12,472           | 155           | (9,578)        | 547         | (57,503)          | (56,311)          | (4,168)                | (13,298)                    |                                          | (121,872)         |
| Unassigned                                | 321,539           | 5,812             | 12,472           | 155           | (9,578)        | 547         | (57,503)          | (56,311)          | (4,168)                | (13,298)                    |                                          | 321,539           |
| <b>TOTAL FUND BALANCE</b>                 | <u>321,539</u>    | <u>5,812</u>      | <u>12,472</u>    | <u>155</u>    | <u>(9,578)</u> | <u>547</u>  | <u>(57,503)</u>   | <u>(56,311)</u>   | <u>(4,168)</u>         | <u>(13,298)</u>             | <u>-</u>                                 | <u>199,667</u>    |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <u>\$ 321,539</u> | <u>\$ 5,812</u>   | <u>\$ 12,472</u> | <u>\$ 155</u> | <u>\$ -</u>    | <u>\$ -</u> | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>            | <u>\$ -</u>                 | <u>\$ (45,430)</u>                       | <u>\$ 295,095</u> |

**Yellow Medicine River Watershed District**  
 General Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Cash Basis  
 December 31, 2016

|                                        | Administration | River Maintenance | Beaver Control | MPCA Contract | PRAP Grant | FEMA 2014 | Ditch 39 Petition | Ditch 38 Petition | One Watershed One Plan | BWSR Terrain Analysis Grant | Total (Memo Only) |
|----------------------------------------|----------------|-------------------|----------------|---------------|------------|-----------|-------------------|-------------------|------------------------|-----------------------------|-------------------|
| <b>Receipts</b>                        |                |                   |                |               |            |           |                   |                   |                        |                             |                   |
| County Assessments                     | \$ 234,775     |                   |                |               |            |           |                   | \$ 402,277        |                        |                             | \$ 637,052        |
| Interest                               | 1,803          |                   |                |               |            |           |                   |                   |                        |                             | 1,803             |
| Miscellaneous                          | 11,554         |                   |                |               |            |           |                   |                   |                        |                             | 11,554            |
| Permit Fees                            | 2,500          |                   |                |               |            |           |                   |                   |                        |                             | 2,500             |
| Projects                               |                |                   |                |               |            |           |                   |                   |                        |                             | 77,593            |
| Rent                                   | 801            |                   |                |               |            |           |                   |                   |                        |                             | 801               |
| Federal                                |                |                   |                |               |            |           |                   |                   |                        |                             | -                 |
| State of Minnesota                     |                |                   |                |               | 9,294      |           |                   |                   |                        | 8,861                       | 18,155            |
| Total Revenues                         | 251,433        |                   |                |               | 9,294      |           |                   | 479,870           |                        | 8,861                       | 749,458           |
| <b>Disbursements</b>                   |                |                   |                |               |            |           |                   |                   |                        |                             |                   |
| Dues and Fees                          | 4,150          |                   |                |               |            |           |                   |                   |                        |                             | 4,150             |
| Education                              | 3,866          |                   |                |               |            |           |                   |                   |                        |                             | 3,866             |
| Insurance                              | 6,660          |                   |                |               |            |           |                   |                   |                        |                             | 6,660             |
| Interest                               |                |                   |                |               |            |           | 1,838             | 930               |                        |                             | 2,768             |
| Meetings                               | 150            |                   |                |               |            |           |                   |                   |                        |                             | 150               |
| Mileage                                | 6,011          |                   |                |               |            |           |                   |                   |                        |                             | 6,011             |
| Office Expense                         | 7,174          |                   |                |               |            |           |                   |                   |                        |                             | 7,174             |
| Payroll Taxes and Benefits             | 34,769         |                   |                |               |            |           |                   |                   |                        | 38                          | 34,807            |
| Professional Fees                      | 12,651         |                   |                |               |            |           | 7,733             | 14,601            |                        |                             | 34,985            |
| Publishing                             | 370            |                   |                |               |            |           | 538               | 317               |                        |                             | 1,225             |
| Rent                                   | 6,000          |                   |                |               |            |           |                   |                   |                        |                             | 6,000             |
| Projects                               | 1,750          | 1,695             | 990            |               | 1,045      |           | 22,786            | 509,308           |                        | 9,850                       | 547,424           |
| Salaries                               | 89,505         |                   |                |               |            |           |                   |                   |                        | 250                         | 89,755            |
| Supplies                               | 545            |                   |                |               |            |           |                   |                   |                        |                             | 545               |
| Telephone                              | 3,356          |                   |                |               |            |           |                   |                   |                        |                             | 3,356             |
| Total Expenditures                     | 176,957        | 1,695             | 990            |               | 1,045      |           | 32,895            | 525,156           |                        | 10,138                      | 748,876           |
| Excess of Revenues and Other Financing |                |                   |                |               |            |           |                   |                   |                        |                             |                   |
| Sources Over (Under) Expenditures      | 74,476         | (1,695)           | (990)          |               | 8,249      |           | (32,895)          | (45,286)          |                        | (1,277)                     | 582               |
| Fund Balance January 1                 | 247,063        | 7,507             | 13,462         | 155           | (17,827)   | 547       | (24,608)          | (11,025)          | (4,168)                | (12,021)                    | 199,085           |
| Fund Balance December 31               | \$ 321,539     | \$ 5,812          | \$ 12,472      | \$ 155        | \$ (9,578) | \$ 547    | \$ (57,503)       | \$ (5,631)        | \$ (4,168)             | \$ (13,298)                 | \$ 199,667        |

**Yellow Medicine Watershed District**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget to Actual  
Cash Basis  
December 31, 2017

|                                                                          | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u>      | <u>Variance with Budget</u> |
|--------------------------------------------------------------------------|------------------------|---------------------|--------------------|-----------------------------|
| <b><u>Receipts</u></b>                                                   |                        |                     |                    |                             |
| County Assessments                                                       | \$ 232,500             | \$ 232,500          | \$ 646,592         | \$ 414,092                  |
| Interest                                                                 | 500                    | 500                 | 2,479              | 1,979                       |
| Miscellaneous                                                            | 500                    | 500                 | 11,554             | 11,054                      |
| Permit Files                                                             | 1,500                  | 1,500               | 2,500              | 1,000                       |
| Projects                                                                 | 30,000                 | 30,000              | 77,593             | 47,593                      |
| Rent                                                                     | 800                    | 800                 | 801                | 1                           |
| Total Revenues                                                           | <u>265,800</u>         | <u>265,800</u>      | <u>759,674</u>     | <u>493,874</u>              |
| <b><u>Disbursements</u></b>                                              |                        |                     |                    |                             |
| Dues and Fees                                                            | 5,000                  | 5,000               | 4,150              | 850                         |
| Education                                                                | 15,000                 | 15,000              | 3,866              | 11,134                      |
| Insurance                                                                | 5,000                  | 5,000               | 6,660              | (1,660)                     |
| Meals                                                                    | -                      | -                   | 2,768              | (2,768)                     |
| Meetings                                                                 | 15,000                 | 15,000              | 150                | 14,850                      |
| Mileage                                                                  | -                      | -                   | 6,011              | (6,011)                     |
| Office Expense                                                           | 10,000                 | 10,000              | 7,174              | 2,826                       |
| Payroll Taxes and Benefits                                               | -                      | -                   | 34,807             | (34,807)                    |
| Professional Fees                                                        | 15,000                 | 15,000              | 34,985             | (19,985)                    |
| Publishing                                                               | -                      | -                   | 1,225              | (1,225)                     |
| Rent                                                                     | 6,000                  | 6,000               | 6,000              | -                           |
| Projects                                                                 | 82,000                 | 82,000              | 570,134            | (488,134)                   |
| Salaries                                                                 | 105,000                | 105,000             | 89,755             | 15,245                      |
| Supplies                                                                 | 4,800                  | 4,800               | 545                | 4,255                       |
| Telephone                                                                | 3,000                  | 3,000               | 3,356              | (356)                       |
| Total Expenditures                                                       | <u>265,800</u>         | <u>265,800</u>      | <u>771,586</u>     | <u>(505,786)</u>            |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures | <u>\$ -</u>            | <u>\$ -</u>         | <u>\$ (11,912)</u> | <u>\$ (11,912)</u>          |
| Fund Balance January 1                                                   |                        |                     | <u>307,013</u>     |                             |
| Fund Balance December 31                                                 |                        |                     | <u>\$ 295,101</u>  |                             |

**Yellow Medicine Watershed District**  
 Special Revenue Funds  
 Combining Balance Sheet  
 Cash Basis  
 December 31, 2017

|                                          | Ditch #1        | Ditch #2         | Ditch #4         | Ditch #5        | Ditch #7         | Ditch #8         | Ditch #16       | Ditch #17       | Ditch #18       | Total<br>(Memo Only) |
|------------------------------------------|-----------------|------------------|------------------|-----------------|------------------|------------------|-----------------|-----------------|-----------------|----------------------|
| <b>ASSETS AND OTHER DEBITS</b>           |                 |                  |                  |                 |                  |                  |                 |                 |                 |                      |
| <b>Assets:</b>                           |                 |                  |                  |                 |                  |                  |                 |                 |                 |                      |
| Due from Administrative Fund             | \$ 6,368        | \$ 17,819        | \$ 12,048        | \$ 5,103        | \$ 28,371        | \$ 16,773        | \$ 1,143        | \$ 3,491        | \$ 4,318        | \$ 95,434            |
| <b>TOTAL ASSETS</b>                      | <u>\$ 6,368</u> | <u>\$ 17,819</u> | <u>\$ 12,048</u> | <u>\$ 5,103</u> | <u>\$ 28,371</u> | <u>\$ 16,773</u> | <u>\$ 1,143</u> | <u>\$ 3,491</u> | <u>\$ 4,318</u> | <u>\$ 95,434</u>     |
| <b>LIABILITIES AND FUND EQUITY</b>       |                 |                  |                  |                 |                  |                  |                 |                 |                 |                      |
| <b>Liabilities:</b>                      |                 |                  |                  |                 |                  |                  |                 |                 |                 |                      |
| Due to Administrative Fund               |                 |                  |                  |                 |                  |                  |                 |                 |                 |                      |
| <b>TOTAL LIABILITIES</b>                 | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>          |
| <b>EQUITY</b>                            |                 |                  |                  |                 |                  |                  |                 |                 |                 |                      |
| Fund Equity:                             |                 |                  |                  |                 |                  |                  |                 |                 |                 |                      |
| Fund Balance                             | 6,368           | 17,820           | 12,048           | 5,103           | 28,371           | 16,773           | 1,142           | 3,491           | 4,318           | 95,434               |
| Restricted                               |                 |                  |                  |                 |                  |                  |                 |                 |                 |                      |
| Unassigned                               |                 |                  |                  |                 |                  |                  |                 |                 |                 |                      |
| <b>TOTAL EQUITY</b>                      | <u>6,368</u>    | <u>17,820</u>    | <u>12,048</u>    | <u>5,103</u>    | <u>28,371</u>    | <u>16,773</u>    | <u>1,142</u>    | <u>3,491</u>    | <u>4,318</u>    | <u>95,434</u>        |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> | <u>\$ 6,368</u> | <u>\$ 17,820</u> | <u>\$ 12,048</u> | <u>\$ 5,103</u> | <u>\$ 28,371</u> | <u>\$ 16,773</u> | <u>\$ 1,142</u> | <u>\$ 3,491</u> | <u>\$ 4,318</u> | <u>\$ 95,434</u>     |



**Yellow Medicine River Watershed District**

Special Revenue Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 Cash Basis  
 December 31, 2017

|                                              | Ditch #1 | Ditch #2  | Ditch #4  | Ditch #5 | Ditch #7  | Ditch #8  | Ditch #16 | Ditch #17 | Ditch #18 | Total<br>(Memo Only) |
|----------------------------------------------|----------|-----------|-----------|----------|-----------|-----------|-----------|-----------|-----------|----------------------|
| <b>Receipts</b>                              |          |           |           |          |           |           |           |           |           |                      |
| County Assessments                           | \$ 3,336 |           | \$ 2,825  | \$ 1,955 | 281       | 166       | \$ 1,424  | 35        | 43        | \$ 9,540             |
| Interest                                     | 55       | 177       | 148       | 57       | 281       | 166       | 7         | 35        | 43        | 969                  |
| Total Revenues                               | 3,391    | 177       | 2,973     | 2,012    | 281       | 166       | 1,431     | 35        | 43        | 10,509               |
| <b>Disbursements</b>                         |          |           |           |          |           |           |           |           |           |                      |
| Interest                                     |          |           | 235       | 58       |           |           |           |           |           | 293                  |
| Publishing Projects                          |          |           | 21,441    | 1,269    |           |           |           |           |           | 22,710               |
| Supplies                                     |          |           |           |          |           |           |           |           |           |                      |
| Total Expenditures                           | -        | -         | 21,676    | 1,327    | -         | -         | -         | -         | -         | 23,003               |
| Excess of Revenues Over (Under) Expenditures | 3,391    | 177       | (18,703)  | 685      | 281       | 166       | 1,431     | 35        | 43        | (12,494)             |
| Fund Balance January 1                       | 2,977    | 17,643    | 30,751    | 4,418    | 28,090    | 16,607    | (289)     | 3,456     | 4,275     | 107,928              |
| Fund Balance December 31                     | \$ 6,368 | \$ 17,820 | \$ 12,048 | \$ 5,103 | \$ 28,371 | \$ 16,773 | \$ 1,142  | \$ 3,491  | \$ 4,318  | \$ 95,434            |

**Yellow Medicine River Watershed  
District  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Yellow Medicine River Watershed District was organized August 27, 1971, under the Minnesota Watershed Act as amended by the Minnesota Water Resources Board as provided in Minnesota Statutes Chapter 112. The District covers areas within the following three counties: Yellow Medicine, Lincoln, and Lyon. A five-member Board appointed by the respective County Boards of Commissioners for staggered three-year terms operate the District.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

**B. Basis of Presentation**

**1. Government-Wide Statements**

The government-wide financial statements (the statement of net cash position and the statement of activities arising from cash transactions) display information about the District taken as a whole. The District shows all operations as governmental activities, because generally, governmental activities are financed through taxes, intergovernmental revenues, and nonexchange revenues.

In the government-wide statement of net cash position, the governmental activities: (a) are presented on a consolidated basis, and (b) are reported on the cash basis of accounting. The District's net position is reported in two parts: (1) restricted net position, and (2) unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

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 certain reported amounts and disclosures. Accordingly, actual results differ from those estimates.

The statement of activities arising from cash transactions demonstrates the degree to which the direct expenses of each function of the District's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, charges paid by the recipients of goods, services, or privileges provided by a given function or activity, and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

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

**Yellow Medicine River Watershed  
District  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation (Continued)**

Proprietary funds are used to report business-type activities carried on by a governmental unit. Not activities of the District were determined to be of this nature, so no proprietary funds are present in the financial statements.

**2. Fund Financial Statements**

Governmental fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses.

Funds are organized into one major category: governmental. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

*Governmental Funds*

**General Fund** – To account for all financial resources not accounted for and reported in another fund.

**Special Revenue Funds** - To account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted or committed to expenditures for specified purposes. These funds include the Ditch #1, #2, #4, #5, #7, #8, #16, #17, and #18 funds.

**C. Budgets and Budgetary Accounting**

Prior to September 1<sup>st</sup>, the Board of Managers adopts an annual budget for expenditures. This budget is used as the basis for current year property tax levies. Public hearings are conducted to obtain taxpayer comments. The budget versus actual is presented only for the general fund and does not include expected revenues or detail for some expenditures.

**D. Measurement Focus and Basis of Accounting**

The District's financial statements are prepared on the cash basis of accounting. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The government-wide financial statements are reported using the current resources measurement focus, within the limitations of the cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenditures when they result from cash transactions.

Governmental fund financial statements are reported using the current financial resources measurement focus as applied to the cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues, and expenditures when they result from cash transactions. As a result of the use of the cash

**Yellow Medicine River Watershed  
District  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or unbilled services provided in current year) and certain liabilities and their related expense (such as accounts payables, unpaid goods and services received in the current year, and accrued expenses) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the government-wide financial statements would be presented on the accrual basis of accounting.

**E. Assets, Liabilities, and Cash Fund Balance**

**1. Cash and Cash Equivalents**

The District recognizes as cash currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty such as certificates of deposit, which do not have penalties or terms with them that effectively restrict withdrawal of funds, money market accounts and repurchase agreements.

The District recognizes as cash equivalents short-term, highly liquid investments that (a) are readily convertible to known amounts of cash and (b) are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates.

The District pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements.

**2. Cash Fund Balance**

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in Governmental Funds.

- a. Governmental Cash Fund Balances: In the governmental fund financial statements, cash fund balances are classified as follows:
  - **Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. There is no nonspendable cash fund balance at December 31, 2017.
  - **Restricted** – Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

**Yellow Medicine River Watershed  
District  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. Assets, Liabilities, and Cash Fund Balance (Continued)

**2. Cash Fund Balance (Continued)**

The District has the following restricted fund balances as of December 31, 2017:

| <b>Special Revenue Funds</b> |          |
|------------------------------|----------|
| Ditch #1                     | \$ 6,368 |
| Ditch #2                     | 17,820   |
| Ditch #4                     | 12,048   |
| Ditch #5                     | 5,103    |
| Ditch #7                     | 28,371   |
| Ditch #8                     | 16,773   |
| Ditch #16                    | 1,142    |
| Ditch #17                    | 3,491    |
| Ditch #18                    | 4,318    |
| Total All Funds              | \$95,434 |

- **Committed** – Amounts that can be used only for specific purposes determined by a formal action by the Board of Managers ordinance or resolution. There is no committed cash fund balance at December 31, 2017.
- **Assigned** – Amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed.

The District has the following assigned fund balances as of December 31, 2017:

| <b>General Fund</b> |             |
|---------------------|-------------|
| Named Projects      | (\$121,872) |

- **Unassigned** – All amounts not included in other spendable classifications.

The District has the following unassigned balances as of December 31, 2017:

| <b>General Fund</b> |           |
|---------------------|-----------|
| Administration      | \$321,539 |

- a. **Governmental Cash Fund Balances:** The District has not formally adopted a fund balance policy for the General Fund.

**Yellow Medicine River Watershed  
District  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- b. Use of Restricted Resources: The District does not have a fund balance policy. If resources from more than one fund balance classification could be spent, it is expected that the Board of Managers will spend resources from fund balance classifications in the following order (first to last, according to the hierarchy set forth by the standard): restricted, committed, assigned, and unassigned or, as special circumstances arise, pending Board approval.

**3. Capital Assets**

In the Fund Financial Statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental funds upon acquisition. The District owns office furniture that is housed in their primary workspace in Minneota. Due to the immateriality, these assets are not reported as Capital Assets.

F. Receipts and Disbursements

**1. Receipts**

Property Tax Revenue

The District levies its property taxes within the District for the subsequent year during the month of December. Lyon, Yellow Medicine, and Lincoln counties are the collecting agencies for the levy and remit these collections to the District. The District receives its taxes in two installments in July and December.

The District also levies special assessments through the counties against property owners who obtain direct benefits from projects. The special assessment collections are recorded in a manner similar to that for property taxes.

**2. Disbursements**

The District disburses funds as approved by the District's Board of Managers.

G. Budgetary Information

Annual budgets for the General Fund are adopted on the cash basis, which is a special purpose framework other than accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted or as amended by the Board of Managers. The original and final budget for the General Fund is presented in the supplementary information. All annual appropriations lapse at year-end.

**2. DETAILED NOTES ON ACCOUNTS**

A. Deposits and Investments

Deposits:

Minnesota Statute 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.03 requires that all District deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institutions banking day, not covered by insurance or bonds.

**Yellow Medicine River Watershed  
District  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**2. DETAILED NOTES ON ACCOUNTS (Continued)**

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better, irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department at a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

As of December 31, 2017, the carrying amount of the District's demand deposits with financial institutions was \$295,095, and the bank balance was \$295,665. All of the bank balance was covered by federal depository insurance at year-end.

A reconciliation of cash as shown on the Combined Balance Sheet for the District as of December 31, 2017, follows:

|                             |    |                |
|-----------------------------|----|----------------|
| Checking                    | \$ | 248,093        |
| Savings                     |    | 47,572         |
| Carrying Amount of Deposits | \$ | <u>295,665</u> |

**Investments:**

The District may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligation rated "AA" or better; general obligations of the Minnesota Housing Agency rated "A" or better; bankers' acceptance of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment contracts guaranteed by a United States commercial bank, domestic branch, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, 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, or certain Minnesota securities broker-dealers. The District does not have any investment policies that would further limit investment choices.

The District does not carry any investments on its financial statements as of December 31, 2017.

**Yellow Medicine River Watershed  
District  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**3. DEFINED BENEFIT PENSION PLANS – STATEWIDE**

**A. Plan Description**

All full-time and certain part-time employees of the Yellow Medicine River Watershed District are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (accounted for in the General Employees Fund), the Public Employees Police and Fire Retirement Plan (Police and Fire Plan accounted for in the Police and Fire Fund), and the Local Government Correctional Service Retirement Plan, called the Public Employees Correctional Plan (accounted for in the Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the Police and Fire Plan. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the Correctional Plan.

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by state statute. Benefits for members of the General Employees Plan vest after five years of credited service. Benefits for the Police and Fire Plan vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years. In the Correctional Plan, benefits vest on a prorated basis from 50 percent after 5 years up to 100 percent after 10 years. The defined benefit retirement plan benefits are based on a member's highest average salary for any 60 successive months of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 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 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 year of service. For Police and Fire Plan members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for Correctional Plan members.

Normal retirement age is 55 for Police and Fire and Correctional plan members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced



**Yellow Medicine River Watershed  
District  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**3. DEFINED BENEFIT PENSION PLANS – STATEWIDE – (Continued)**

Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement with an actuarial reduction in the member's benefit.

For all General Employee Plan members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

A full unreduced pension is earned when Police and Fire and Correctional plan members meet the following conditions: age 55 and vested or age plus years of service total at least 90 if first hired prior to July 1, 1989.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service before retirement benefits begin.

The benefit provisions stated in the preceding paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees, Police and Fire, and Correctional plans. That report may be obtained on the PERA's website at [www.mnpera.org](http://www.mnpera.org)

**B. Funding Policy**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state Legislature. The Yellow Medicine River Watershed District makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent, respectively, of their annual covered salary in 2017. In 2017, the Yellow Medicine River Watershed District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members, 7.5 percent for Coordinated Plan members.

The Yellow Medicine River Watershed District contributions to the General Employees Fund for the years ending December 31, 2017 and 2016 were \$7,459 and \$2,920.

**Yellow Medicine River Watershed  
District  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**A. Pension Plan Fiduciary Net Position**

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

**1. Other Information**

**A. Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which the District carries insurance. The District obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The District pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the District's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported. The District's management is not aware of any incurred but not reported claims.

**B. Statement of Orders Issued**

The District publishes the minutes showing to whom and for what orders are drawn. For this reason this schedule is not included in the financial statements.

# RICHARD W. HOLMBERG, LTD

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

Members of the Council  
Yellow Medicine River Watershed Conservation District  
Minneota, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yellow Medicine River Watershed Conservation District, Minnesota as of and for the year ended December 31, 2017, and the related remaining fund information of Yellow Medicine River Watershed Conservation District, Minnesota's basic financial statements and have issued our report thereon dated October 8, 2018.

#### Internal Control over Financial Reporting

In planning and performing our audit, we considered Yellow Medicine River Watershed Conservation District, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Yellow Medicine River Watershed Conservation District, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the Yellow Medicine River Watershed Conservation District, Minnesota's internal control.

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

*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 deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2017-001 and 2017-002.


A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance.

### Compliance and Other Matters

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

The Yellow Medicine River Watershed Conservation District, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Yellow Medicine River Watershed Conservation District, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Richard W. Holmberg, Ltd  
Certified Public Accountants

October 8, 2018

**Yellow Medicine River Watershed District**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Prior Audit:**

2016-001: Segregation of Duties is repeated as item 2017-001.

2016-002: Lack of Expertise is repeated as item 2017-002.

**Yellow Medicine River Watershed District**  
**SCHEDULE OF FINDINGS AND RESPONSES**

FOR THE YEAR ENDED DECEMBER 31, 2017

**CURRENT AUDIT YEAR FINDINGS AND RESPONSES**

**Internal Controls:**

**2017-001 Lack of segregation of duties**

Deficiency: The District has limited personnel available to perform accounting duties

Criteria: A good internal control contemplates an adequate segregation of duties so that no one individual handles transactions from inception to completion.

Cause: The District indicated that it has a limited number of employees. Therefore, the District cannot adequately segregate accounting duties.

Effect: As a result of the lack of segregation of duties, personnel are performing duties for which, internal control purposes, should be performed by separate individuals.

Recommendation: While we recognize that the District is not large enough to permit adequate segregation of duties in all respects, it is important that you be aware of this deficiency and design internal controls to provide for proper segregation of duties where possible. This comment should not reflect negatively on the staff and is based solely on staff size.

Response: This is not unusual in a organization of this size. The District has studied the situation and found that it is not economically feasible to design the system of internal controls to adequately provide for the segregation of duties.

Corrective Plan of Action: The Board will monitor personnel duties.

**2017-002 Lack of expertise by District personnel to prepare accrual basis financial statements**

Condition: The District personnel lack the expertise to prepare financial statements in accordance with generally accepted accounting principles. The District auditor prepared the financial statements as of December 31, 2017.

Criteria: Internal controls should be in place that provide reasonable assurance that the financial statements are prepared in accordance with generally accepted accounting principles.

Cause: The District could put together the financial statements on the accrual basis of accounting, however, they have requested assistance in ensuring all required disclosures are properly included and changes made by GASB are implemented.

Effect: The District's personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

Recommendation: The District should provide personnel with adequate training to develop expertise to prepare financial statements in accordance with generally accepted accounting principles.

Response: This is not unusual in an organization of this size. It is not economically feasible for the District to provide the necessary training for personnel to acquire and maintain this expertise.

Corrective Plan of Action: The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements.

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Danielle Berg, CPA

### INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

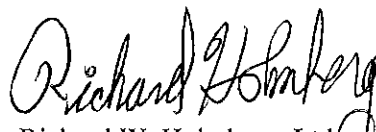
Board of Directors  
Yellow Medicine River Watershed District  
122 North Jefferson  
Minneota, MN 56264

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Yellow Medicine River Watershed District, as of and for the year ended December 31, 2017 and the related notes to the financial statements, and have issued our report thereon dated October 8, 2018.

The *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minnesota Statutes §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories except tax increment financing and public indebtedness that does not apply to this Entity.

In connection with our audit, nothing came to our attention to indicate that the Yellow Medicine River Watershed District, failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*. 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 Yellow Medicine River Watershed District, noncompliance with the above referenced provisions.

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

  
Richard W. Holmberg, Ltd  
Certified Public Accountants

October 8, 2018