

**North Fork Crow River  
Watershed District  
Brooten, Minnesota**

**Financial Statements**

**December 31, 2016**



**North Fork Crow River Watershed District  
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**North Fork Crow River Watershed District  
Board of Managers  
December 31, 2016**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
James Wuertz	President	May 9, 2019
Robert Brauchler	Vice President	May 5, 2019
John Hanson	Secretary	May 9, 2018
James Barchenger	Treasurer	June 9, 2018
Gary Berndt	Manager	May 9, 2017



## Independent Auditor's Report

Honorable President and Managers  
of the Board  
North Fork Crow River Watershed District  
Brooten, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Fork Crow River Watershed District, Brooten, Minnesota, as of and for the year ended December 31, 2016, and the related notes to financial statements, which collectively comprise the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 District'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 District'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 each major fund of the North Fork Crow River Watershed District, Brooten, Minnesota, as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the Administrative Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 the District's basic financial statements. The accompanying supplementary information, as identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the financial statements.



**Other Matters (Continued)**

*Other Information (Continued)*

The accompanying supplementary information is the responsibility of management and was derived from and relates 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Bergan KDV, Ltd.*

St. Cloud, Minnesota  
May 31, 2017

## **North Fork Crow River Watershed District Management's Discussion and Analysis**

As management of North Fork Crow River Watershed District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2016.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$146,195 (net position). Realizing \$168,604 of net investment in capital assets results in a negative unrestricted net position of \$22,409.
- The District's total net position decreased by \$597,519 which is primarily due to the increase in the amount of project debt.
- As of the close of the current year, the District's governmental funds reported combined ending fund balance of \$793,613 compared to \$763,075 in the previous year.
- The survey and data acquisition fund balance was \$34,769 at the end of the current year which was all restricted.
- At the end of the current year, the District had debt outstanding of \$1,055,411 (including \$600,000 Stearns County bonding for County Ditch 32 repair expenses and \$108,767 Stearns County temporary funding for Judicial Ditch 1 repair expenses), compared to \$419,123 the previous year.
- BWSR Clean Water Fund Conservation Drainage Grants: In 2016, the District had two active cost share grants for implementing agricultural Best Management Practices. Alternative Drainage grant funds of \$148,626 and \$13,778 of landowner in-kind contributions were used to install these conservation practices. The Drainage Inventory and Inspection Database grant developed a database to facilitate field inspections and track ditch maintenance projects throughout the District expending \$8,614 in grant funds.
- Aquatic Invasive Species Inspection Project: In 2016, the District received a \$35,000 Stearns County AIS Prevention grant, along with \$28,535 in contributions from the City of Paynesville, Paynesville Twp., Koronis Lake Assoc., Grove Lake Lakeshore Assoc., and Rice Lake Assoc. to coordinate an inspection program. Project expenses totaled \$63,535.
- State Revolving Funds (SRF): Interest totaling \$1,055 accrued on the already loaned portion of SRF0268 loan funds, while \$73,535 of previous SRF loan principal was paid off in 2016. The project will close February 2017.
- The Koronis Lake Association contributed \$15,000 in 2016 allowing the District to staff an intern water quality position until funds have been expended. Intern expenses totaled \$4,276 in 2016.

## **North Fork Crow River Watershed District Management's Discussion and Analysis**

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financial requirements.



## **North Fork Crow River Watershed District Management's Discussion and Analysis**

### **OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

#### **Fund Financial Statements (Continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the District's near-term financial decisions. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual major governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the Administrative Fund, Survey and Data Acquisition Fund and the Special Projects Fund, which are considered to be major funds.

The District adopts an annual appropriated budget for its Administrative Fund.

A budgetary comparison statement has been provided for this Fund to demonstrate compliance with this budget.

#### **Notes to Financial Statements**

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Net Position**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$146,195 at the close of the most recent year.

A portion of the District's net position, \$168,604 reflects its investment in capital assets (building, land, land improvements, vehicle, and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. There is no debt related to these assets.

**North Fork Crow River Watershed District  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Net Position (Continued)**

Following is a comparison of current and previous year net position.

	2016	2015
Current and other assets	\$ 1,309,869	\$ 1,229,267
Capital assets	168,604	170,132
Total assets	\$ 1,478,473	\$ 1,399,399
Deferred outflows related to pensions	\$ 87,906	\$ 17,294
Long-term liabilities	\$ 1,143,386	\$ 469,968
Other liabilities	228,663	138,600
Total liabilities	\$ 1,372,049	\$ 608,568
Unavailable revenue-grant revenue	\$ 27,122	\$ 51,094
Deferred inflows related to pensions	21,013	13,317
Total deferred inflows of resources	\$ 48,135	\$ 64,411
Net position		
Net investment in capital assets	\$ 168,604	\$ 170,132
Restricted	-	417,645
Unrestricted	(22,409)	155,937
Total net position	\$ 146,195	\$ 743,714

At the end of the current year, the District is able to report positive balances in net position.

**Changes in Net Position**

Governmental activities resulted in a decrease of the District's net position by \$597,519. The details of the decrease are as listed on the following page.

**North Fork Crow River Watershed District  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Changes in Net Position (Continued)**

	2016	2015
Revenues		
Program revenues		
Charges for services	\$ 300,199	\$ 69,654
Operating grants and contributions	211,937	215,064
Capital grants and contributions	-	50,000
General revenues		
Property taxes	299,717	252,610
State aids	7,899	6,922
Investment earnings	25,317	19,465
Other general revenues	48,335	21,032
Gain on sale of capital assets	-	30,766
Total revenues	893,404	665,513
Expenses		
General	258,343	283,010
Projects	1,177,898	509,357
Interest on long-term debt	54,682	23,176
Total expenses	1,490,923	815,543
Change in net position	(597,519)	(150,030)
Net position, beginning	743,714	1,010,942
Change in accounting principle (Note 10)	-	(117,198)
Net position - beginning as restated	743,714	893,744
Net position, ending	\$ 146,195	\$ 743,714

The focus of the District's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unrestricted fund balance may serve as useful measure of a government's net resources available for spending at the end of the year.

The Administrative Fund balance increased by \$49,127 in 2016 due primarily to the increase of staff billable hours to projects and grants.

**North Fork Crow River Watershed District  
Management's Discussion and Analysis**

**BUDGETARY HIGHLIGHTS**

**Administrative Fund**

The original budget for the Administrative Fund adopted by the Board of Managers was not amended in 2016 and reflects the final 2016 budget. The Administrative Fund revenues of \$518,245 exceeded budgeted revenues of \$258,900 due to intergovernmental revenues, interest income, contributions, and agricultural market value credits received, which were not budgeted. Actual expenditures of \$469,118 exceeded the \$258,900 budgeted expenditures, once again mainly due to grant administration and other reimbursed projects. Due to the fact that the possible award of grant funds and project contributions during the year cannot be predicted and accurately budgeted, grant funds and project contributions received and expended resulted in overages in both revenues and expenditures of \$259,345 and \$210,218, respectively.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of December 31, 2016 amounts to \$255,931. This investment in capital assets is in land, building, vehicle, land improvement, and equipment. Accumulated depreciation was \$87,327 with current depreciation charges of \$11,211. Additional information on the District's capital assets can be found in Note 4 of the financial statements.

**The District's Capital Assets  
(Net of Depreciation)**

December 31, 2016

Land, building, vehicles, land improvement, and equipment	<u>\$168,604</u>
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**Long-Term Debt**

At the end of the current year, the District had long-term debt outstanding of \$1,055,411. The debt increased overall by \$636,288 from 2015, consisting of a reduction of \$73,534 in SRF loan principal payments, an addition of \$1,055 in interest charged to the SRF loan project closing February 2017, and new additional \$708,767 debt to Stearns County for bonding and temporary funding for repair projects on County Ditch 32 and Judicial Ditch 1. Of this debt, \$115,013 plus interest, is payable within one year. Additional information on the District's long-term debt can be found in Note 6 of the financial statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

North Fork Crow River Watershed District  
P.O. Box 40  
Brooten, Minnesota 56316

## **BASIC FINANCIAL STATEMENTS**

**North Fork Crow River Watershed District**  
**Statement of Net Position**  
**December 31, 2016**

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 824,805
Property taxes receivable	11,504
Special assessments receivable	383,513
Due from other governments	73,677
Inventory	14,253
Prepaid items	2,117
Capital assets	
Land	24,500
Buildings	93,233
Equipment	107,119
Vehicles	18,531
Land Improvements	12,548
Less accumulated depreciation	(87,327)
Total assets	1,478,473
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to pensions	87,906
Total assets and deferred outflows of resources	\$ 1,566,379
<b>Liabilities</b>	
Accounts payable	\$ 105,318
Interest payable	334
Loans payable	
Payable within one year	115,013
Payable after one year	940,398
Compensated absences payable	
Payable within one year	7,998
Net pension liability	202,988
Total liabilities	1,372,049
<b>Deferred Inflows of Resources</b>	
Unavailable revenue - grant revenue	27,122
Deferred inflows of resources related to pensions	21,013
Total deferred inflows of resources	48,135
<b>Net Position</b>	
Net investment in capital assets	168,604
Unrestricted	(22,409)
Total net position	146,195
Total liabilities, deferred inflows of resources, and net position	\$ 1,566,379

**North Fork Crow River Watershed District**  
**Statement of Activities**  
**Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions			
Governmental activities						
General government	\$ 258,343	\$ -	\$ 192,240	\$ -		\$ (66,103)
Projects	1,177,898	300,199	19,697	-		(858,002)
Interest on long-term debt	54,682	-	-	-		(54,682)
Total governmental activities	<u>\$ 1,490,923</u>	<u>\$ 300,199</u>	<u>\$ 211,937</u>	<u>\$ -</u>		(978,787)
						299,717
						7,899
						48,335
						25,317
						381,268
						(597,519)
						743,714
						\$ 146,195

**North Fork Crow River Watershed District  
Balance Sheet - Governmental Funds  
December 31, 2016**

	Administrative (100)	Special Revenue Survey and Data Acquisition (200)	Capital Projects Special Projects	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 231,987	\$ 34,029	\$ 558,789	\$ 824,805
Taxes receivable				
Current	3,988	740	3	4,731
Delinquent	6,045	599	129	6,773
Special assessments receivable				
Current	-	-	6,470	6,470
Delinquent	-	-	9,679	9,679
Deferred	-	-	367,364	367,364
Due from other governments	73,677	-	-	73,677
Due from other funds	452,484	-	-	452,484
Prepaid items	2,117	-	-	2,117
Inventory	14,253	-	-	14,253
	<u>\$ 784,551</u>	<u>\$ 35,368</u>	<u>\$ 942,434</u>	<u>\$ 1,762,353</u>
<b>Liabilities</b>				
Accounts payable	\$ 5,945	\$ -	\$ 99,373	\$ 105,318
Due to other funds	-	-	452,484	452,484
Total liabilities	<u>5,945</u>	<u>-</u>	<u>551,857</u>	<u>557,802</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - taxes and assessments	6,045	599	377,172	383,816
Unavailable revenue - other	600	-	-	600
Unavailable revenue - grant revenue	26,522	-	-	26,522
Total deferred inflows of resources	<u>33,167</u>	<u>599</u>	<u>377,172</u>	<u>410,938</u>
<b>Fund Balances</b>				
Nonspendable	16,370	-	-	16,370
Restricted	-	34,769	542,135	576,904
Unassigned	729,069	-	(528,730)	200,339
Total fund balances	<u>745,439</u>	<u>34,769</u>	<u>13,405</u>	<u>793,613</u>
	<u>\$ 784,551</u>	<u>\$ 35,368</u>	<u>\$ 942,434</u>	<u>\$ 1,762,353</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 784,551</u>	<u>\$ 35,368</u>	<u>\$ 942,434</u>	<u>\$ 1,762,353</u>



**North Fork Crow River Watershed District  
Reconciliation of the Balance Sheet to  
the Statement of Net Position - Governmental Funds  
December 31, 2016**

Total fund balances - governmental funds \$ 793,613

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	255,931
Less accumulated depreciation	(87,327)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Loans payable	(1,055,411)
Compensated absences payable	(7,998)
Net pension liability	(202,988)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred inflows of resources related to pensions	(21,013)
Deferred outflows of resources related to pensions	87,906

Deferred receivables are not available to pay for current expenditures and, therefore, are deferred in the funds.

Property taxes	6,773
Special assessments	377,043

Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.

(334)

Total net position - governmental activities \$ 146,195

**North Fork Crow River Watershed District  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Governmental Funds  
Year Ended December 31, 2016**

	Administrative (100)	Special Revenue Survey and Data Acquisition (200)	Capital Projects Special Projects	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 251,969	\$ 48,171	\$ 102	\$ 300,242
Special assessments	-	-	272,477	272,477
Intergovernmental	206,144	-	13,692	219,836
Miscellaneous				
Investment income	21,981	71	3,265	25,317
Other	38,151	-	10,184	48,335
Total revenues	<u>518,245</u>	<u>48,242</u>	<u>299,720</u>	<u>866,207</u>
<b>Expenditures</b>				
Current				
General government	226,265	-	-	226,265
Projects	231,057	13,576	918,454	1,163,087
Debt service				
Principal	-	-	266,096	266,096
Interest and fiscal charges	-	-	53,612	53,612
Capital outlay				
General government	11,796	-	-	11,796
Projects	-	-	16,142	16,142
Total expenditures	<u>469,118</u>	<u>13,576</u>	<u>1,254,304</u>	<u>1,736,998</u>
Excess of revenues over (under) expenditures	49,127	34,666	(954,584)	(870,791)
<b>Other Financing Sources</b>				
Loan proceeds	-	-	901,329	901,329
Net change in fund balances	49,127	34,666	(53,255)	30,538
<b>Fund Balances</b>				
Beginning of year	<u>696,312</u>	<u>103</u>	<u>66,660</u>	<u>763,075</u>
End of year	<u>\$ 745,439</u>	<u>\$ 34,769</u>	<u>\$ 13,405</u>	<u>\$ 793,613</u>

**North Fork Crow River Watershed District**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Statement of Activities -**  
**Governmental Funds**  
**Year Ended December 31, 2016**

Net change in fund balances - total governmental funds \$ 30,538

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

Capital outlays are reported in governmental funds as expenditures. However, in  
the Statement of Activities, the cost of those assets is allocated over the estimated  
useful lives as depreciation expense.

Capital outlays	13,740
Depreciation expense	(11,211)
Loss on disposal of capital assets	(4,057)

Compensated absences are recognized as paid in the governmental funds but  
recognized as the expense is incurred in the Statement of Activities. (1,731)

Governmental funds recognized pension contributions as expenditures at the time of  
payment whereas the Statement of Activities factors in items related to pensions on a  
full accrual perspective.

Pension expense	(15,692)
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Principal payments on long-term debt are recognized as expenditures in the  
governmental funds but as an increase in net position in the Statement of Activities. 266,096

Interest on long-term debt in the Statement of Activities differs from the amount  
reported in the governmental funds because interest is recognized as an expenditure  
in the funds when it is due and thus requires use of current financial resources. In  
the statement of activities, however, interest expense is recognized as the interest  
accrues, regardless of when it is due. (15)

Proceeds and other additions to long-term debt are recognized as revenue in the  
governmental funds but as a decrease in net position in the Statement of Activities.  
Loan proceeds (902,384)

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenues in the funds.  
Taxes and special assessments deferred and delinquent 27,197

Change in net position - governmental activities \$ (597,519)

**North Fork Crow River Watershed District  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances -  
Budget and Actual - Administrative Fund  
Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
<b>Revenues</b>				
Property taxes	\$ 258,900		\$ 251,969	\$ (6,931)
Intergovernmental	-		206,144	206,144
Miscellaneous				
Investment income	-		21,981	21,981
Other	-		38,151	38,151
Total revenues	258,900		518,245	259,345
<b>Expenditures</b>				
Current				
General government				
Employee expenses	190,455		167,138	(23,317)
Managers and administrative	11,165		14,968	3,803
Mileage and expenses	2,050		(1,261)	(3,311)
Professional fees	19,500		26,999	7,499
Office expenses	22,385		4,719	(17,666)
Public and professional education	8,700		10,329	1,629
Other	3,145		3,373	228
Projects				
Grant administration	-		192,241	192,241
Other	-		38,816	38,816
Capital Outlay				
General government	1,500		11,796	10,296
Total expenditures	258,900		469,118	210,218
Net change in fund balances	\$ -		49,127	\$ 49,127
<b>Fund Balances</b>				
Beginning of year			696,312	
End of year			\$ 745,439	

**North Fork Crow River Watershed District  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances -  
Budget and Actual - Survey and Data Acquisition Fund  
Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final			
<b>Revenues</b>				
Property taxes	\$ 50,000		\$ 48,171	\$ (1,829)
Miscellaneous				
Investment income	-		71	71
Total revenues	50,000		48,242	(1,758)
<b>Expenditures</b>				
Current				
Projects				
Other	10,000		13,576	3,576
Net change in fund balances	\$ 40,000		34,666	\$ (5,334)
<b>Fund Balances</b>				
Beginning of year			103	
End of year			\$ 34,769	

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The North Fork Crow River Watershed District (the "District") is a watershed district created under the provisions of *Minnesota Statutes*. The District is governed by five managers appointed by Stearns, Kandiyohi, Meeker, and Pope Counties' Boards of Commissioners for three year terms. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

The financial statements present the District and its component units. The District includes all funds, account groups, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

Blended Component Units – Reported as if they were part of the District.

Joint Ventures and Jointly Governed Organizations – The relationship of the District with the entity is disclosed.

Related Organization – The relationship of the District with the entity is disclosed.

As a result of applying the component unit definition criteria above, we have not identified any organizations that are considered to be component units of the District.

**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 activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. 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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements (Continued)**

Fund 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 District considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

**Description of Funds**

**Major Governmental Funds**

Administrative Fund – This Fund is the District's primary operating fund. It accounts for all financial resources of the general District, except those required to be accounted for in another fund.

Survey and Data Acquisition Special Revenue Fund – This Fund accounts for costs of performing surveys and acquiring data. The Fund is financed by an ad valorem levy, which can be levied once every five years.

Special Projects Capital Projects Fund – This Fund accounts for the maintenance and repair of any water course or water body lying wholly or partially within the District.

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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 in the various functions.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Deposits and Investments**

The District's cash and investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

*Minnesota Statutes* authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, and repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days.

**2. Receivables and Payables**

The District levies its property tax for the subsequent year during the month of August. December 28 is the last day the District can certify a tax levy to the County Auditors for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. The property tax is recorded as revenue when it becomes measurable and available. Stearns, Kandiyohi, Meeker, and Pope Counties are the collecting agencies for the levy and remit the collections to the District three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditors prepare the tax list for all taxable property in the District, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditors also collect all special assessments, except for certain prepayments paid directly to the District.

The County Auditors submit the list of taxes and special assessments to be collected on each parcel of property to the County Treasurers in January of each year.

**3. Special Assessment Revenue Recognition**

Special assessments are levied against benefited properties for the cost or a portion of the cost of projects in accordance with *Minnesota Statutes*. These assessments are collectible by the District over a term of years usually consistent with the term of the related note payable. Collection of annual installments (including interest) is handled by the County Auditors in the same manner as property taxes. Property owners are allowed to prepay future installments without interest or prepayment penalties.



**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance  
(Continued)**

**3. Special Assessment Revenue Recognition (Continued)**

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the Board of Managers or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are allocated first to the County's costs of administering all tax forfeit properties. Pursuant to *Minnesota Statutes*, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land in which event the property is subject to such sale after five years.

**a. Government-Wide Financial Statements**

The District recognizes special assessment revenue in the period the assessment roll was adopted by the Board of Managers. Uncollectible special assessments are not material and have not been reported.

**b. Governmental Fund Financial Statements**

Revenue from special assessments is recognized by the District when it becomes measurable and available to finance expenditures of the current period. In practice, current and delinquent special assessments received by the District are recognized as revenue for the current year. Special assessments that are collected by the Counties by December 31 and remitted to the District within 60 days of December 31 are also recognized as revenue for the current year. All remaining delinquent, deferred, and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources for unavailable revenue.

**4. Inventory and 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.

Inventories of materials and supplies are maintained for District use and occasional sale at cost to other governmental units. Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**5. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column 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 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance  
(Continued)**

**5. Capital Assets (Continued)**

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.

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

<u>Assets</u>	<u>Years</u>
Buildings	7-40
Land improvements	5-30
Machinery, equipment, and radios	5-40
Vehicles	3-50

**6. 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 represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The District presents deferred inflows of resources on the Balance Sheet - Governmental Fund as unavailable revenue. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and grant revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

**7. Compensated Absences**

Full-time permanent employees earn paid time off (PTO) at a rate based on their years of service. The District compensates employees who resign or retire for unused PTO.

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance  
(Continued)**

**8. Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

In the fund financial statements, governmental fund types recognize issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Pensions**

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

**10. Fund Balance**

**a. Classification**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the government's highest level of decision making authority, which is the Board of Managers, and that remain binding unless removed by subsequent formal action of the Board of Managers.
- Assigned Fund Balance – These are amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the Administrative Fund, that are not classified as nonspendable, restricted, or committed. Assignments are made by the District's Administrator based on the Board of Manager's direction.

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance  
(Continued)**

**10. Fund Balance (Continued)**

**a. Classification (Continued)**

- Unassigned Fund Balance – These are residual amounts in the Administrative Fund not reported in any other classification. The Administrative Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources and use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order; committed, assigned, and unassigned.

**b. Minimum Fund Balance**

The District will maintain an unrestricted fund balance in the Administrative Fund of an amount not less than 35% of the next year's budgeted expenditures.

**11. Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to construct or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**12. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**13. State Revolving Funds**

State revolving funds is money received through clean water partnership as a loan to individuals participating in land and septic improvements that affect water quality. Landowners whose applications are approved by the Board of Managers are eligible for loans not to exceed the actual cost of the project. Loans are repaid through special assessments.

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Information**

1. In August of each year, the District submits to the Board of Managers, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. A budget for the Administrative and Survey and Acquisition Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
4. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without Board of Manager's approval. The Board of Managers may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
5. Budgeted amounts are as originally adopted or as amended by the Board of Managers. Budgeted expenditure appropriations lapse at year-end.

Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Deficit Fund Balances**

The Funds listed below had negative fund balances at December 31, 2016:

Special Projects Funds:

Judicial Ditch No. 1	\$ 290,202
Judicial Ditch No. 2	25,333
County Ditch No. 5	24,199
County Ditch No. 7	17,926
County Ditch No. 21	6,920
County Ditch No. 37	32,749
Meeker County Ditch No. 4	91,918
Meeker County Ditch No. 43	39,483

The District has implemented plans to eliminate these deficits by future grants, loans, and special assessments.

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**A. Deposits**

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. *Minnesota Statutes* requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. As of December 31, 2016, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

The District did not have formal policies in place as of December 31, 2016, to address custodial credit risk for deposits. The District also did not have policies in place to address credit risk, concentration of credit risk, interest rate risk and custodial credit risk for investments.

At December 31, 2016, cash and investments were comprised of deposits, including savings accounts at a commercial bank.

Total deposits at December 31, 2016, were as follows:

Checking	\$ 2,884
Savings	<u>821,921</u>
Total deposits	<u><u>\$ 824,805</u></u>

Deposits are presented in the December 31, 2016, basic financial statements as follows:

Statement of Net Position	<u><u>\$ 824,805</u></u>
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**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 4 – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 24,500	\$ -	\$ -	\$ 24,500
Capital assets being depreciated				
Buildings	93,233	-	-	93,233
Equipment	93,379	13,740	-	107,119
Vehicles	23,898	-	5,367	18,531
Land improvements	12,548	-	-	12,548
Total capital assets being depreciated	<u>223,058</u>	<u>13,740</u>	<u>5,367</u>	<u>231,431</u>
Less accumulated depreciation for				
Buildings	2,428	2,331	-	4,759
Equipment	63,233	5,204	-	68,437
Vehicles	11,486	2,839	1,310	13,015
Land improvements	279	837	-	1,116
Total accumulated depreciation	<u>77,426</u>	<u>11,211</u>	<u>1,310</u>	<u>87,327</u>
Total capital assets being depreciated, net	<u>145,632</u>	<u>-</u>	<u>-</u>	<u>145,632</u>
Governmental activities, capital assets, net	<u>\$ 170,132</u>	<u>\$ 2,529</u>	<u>\$ 4,057</u>	<u>\$ 168,604</u>

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

Governmental activities	
General government	<u>\$ 11,211</u>

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 5 – INTERFUND BALANCES AND TRANSFERS**

**A. Due to/from Other Funds**

The composition of interfund balances as of December 31, 2016, was as follows:

	<u>Amounts Due to Other Funds Special Projects</u>
Amounts due from other funds	
Administrative	\$ 452,484

The amounts due to the Administrative Fund represent accruals to account for short-term borrowing for cash flow purposes.

**NOTE 6 – LONG-TERM DEBT**

**A. Loans Payable**

The District enters into loan agreements with the State of Minnesota to provide financing for watershed projects and improvements. Debt service is covered respectively by special assessments against benefited properties with any shortfalls being paid from general taxes.

These loans generally are issued with a 10 to 15 year term with equal debt service payments each year.

**B. Components of Long-Term Liabilities**

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-term liabilities						
Governmental activities						
State of Minnesota Project loans payable						
SRF0139 - Water Quality Improvement Continuation	12/28/04	2%	\$ 431,283	12/15/18	\$ 93,256	\$ 46,164
SRF0218 - North Fork Crow Septic System/ Feedlot upgrades	03/19/10	2%	294,766	06/15/23	198,199	28,849
SRF0268 - North Fork Crow Septic System/ Feedlot upgrades continuation project	02/11/13	2%	500,000	*	55,189	-
Total State of Minnesota Project loans payable			1,226,049		346,644	75,013
Stearns County Project loans payable						
Stearns County Judicial Ditch #1 Loan	08/02/16	2%	600,000	*	108,767	-
Stearns County Ditch #32 Loan	12/28/16	1.5%-3%	600,000	12/01/31	600,000	40,000
Total Stearns County Project loans payable			1,200,000		708,767	40,000
Compensated absences					7,998	7,998
Total all long-term liabilities					\$ 1,063,409	\$ 123,011

\* The District is still currently drawing down on the balance of this loan. Final payment schedules indicating the final maturity of the loan will not be available until the loan is fully drawn and the State finalizes the loan documentation. The balance of this loan is excluded from the debt service requirements to maturity schedules as shown on the following page.



**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

**C. Minimum Debt Payments**

Annual debt service requirements to maturity for all outstanding debt are as follows:

Year Ended December 31,	Stearns County Project Loans			State of Minnesota Project Loans		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 40,000	\$ 13,043	\$ 53,043	\$ 75,013	\$ 5,456	\$ 80,469
2018	40,000	13,500	53,500	76,520	3,948	80,468
2019	40,000	12,900	52,900	30,020	2,649	32,669
2020	40,000	12,300	52,300	30,623	2,046	32,669
2021	40,000	11,500	51,500	31,239	1,430	32,669
2022-2026	200,000	44,900	244,900	48,040	964	49,004
2027-2031	<u>200,000</u>	<u>18,000</u>	<u>218,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 600,000</u>	<u>\$ 126,143</u>	<u>\$ 726,143</u>	<u>\$ 291,455</u>	<u>\$ 16,493</u>	<u>\$ 307,948</u>

  

Year Ended December 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 115,013	\$ 18,499	\$ 133,512
2018	116,520	17,448	133,968
2019	70,020	15,549	85,569
2020	70,623	14,346	84,969
2021	71,239	12,930	84,169
2022-2026	248,040	45,864	293,904
2027-2031	<u>200,000</u>	<u>18,000</u>	<u>218,000</u>
Total	<u>\$ 891,455</u>	<u>\$ 142,636</u>	<u>\$ 1,034,091</u>

**D. Changes in Long-Term Liabilities**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
State of Minnesota Project Loans payable	\$ 419,123	\$ 1,055	\$ 73,534	\$ 346,644	\$ 75,013
Stearns County Project Loans payable	-	901,329	192,562	708,767	40,000
Compensated absences	<u>6,267</u>	<u>14,389</u>	<u>12,658</u>	<u>7,998</u>	<u>7,998</u>
Total governmental activities	<u>\$ 425,390</u>	<u>\$ 916,773</u>	<u>\$ 278,754</u>	<u>\$ 1,063,409</u>	<u>\$ 123,011</u>

The Administrative Fund typically liquidates the liability related to compensated absences.

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 7 – FUND BALANCE/NET POSITION**

**A. Fund Balance**

Fund balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	<u>Administrative</u>	<u>Survey and Data Acquisition</u>	<u>Special Projects</u>	<u>Total</u>
Nonspendable				
Prepaid items	\$ 2,117	\$ -	\$ -	\$ 2,117
Inventory	14,253	-	-	14,253
Restricted				
Survey and data acquisition	-	34,769	-	34,769
Projects	-	-	542,135	542,135
Unassigned	<u>729,069</u>	<u>-</u>	<u>(528,730)</u>	<u>200,339</u>
 Total	 <u>\$ 745,439</u>	 <u>\$ 34,769</u>	 <u>\$ 13,405</u>	 <u>\$ 793,613</u>

**B. Net Position**

Restricted net position is comprised of the total restricted fund balance in the governmental funds plus the effect of the conversion to the government-wide net position.

**NOTE 8 – RISK MANAGEMENT**

The District purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state, which is a public entity risk pool currently operating as a common risk management and insurance program. The District pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining, through commercial companies, for excess claims. The District is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

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

The District's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2016 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2016, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS**

**Public Employees' Retirement Association**

**A. Plan Description**

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

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

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

**B. Benefits Provided**

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

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

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

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

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**C. Contributions**

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

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar year 2016. The District was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The District's contributions to the General Employees Fund for the year ended December 31, 2016, were \$12,228. The District's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

At December 31, 2016, the District reported a liability of \$202,988 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$2,722. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportion share was 0.0025%, which was an increase of 0.0001% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the District recognized pension expense of \$28,732 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$812 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

At December 31, 2016, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 16,315
Changes in actuarial assumptions	39,744	-
Difference between projected and actual investment earnings	38,160	-
Changes in proportion	3,888	4,698
Contributions paid to PERA subsequent to the measurement date	<u>6,114</u>	<u>-</u>
	<u><u>\$ 87,906</u></u>	<u><u>\$ 21,013</u></u>

\$6,114 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2017	\$ 16,336
2018	16,336
2019	20,775
2020	<u>7,332</u>
Total	<u><u>\$ 60,779</u></u>

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**E. Actuarial Assumptions**

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

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for the General Employees Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% for all future years for the General Employees Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2016:

**General Employees Fund**

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**E. Actuarial Assumptions (Continued)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45 %	5.50 %
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50
Total	100 %	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on those assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the General Employees Fund net pension liability	\$ 288,303	\$ 202,988	\$ 132,711

**North Fork Crow River Watershed District  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**H. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**NOTE 10 – COMMITMENTS**

As of December 31, 2016, the District has the following commitment:

Project	Approved Contract	Completed to Date	Commitment
CD32 Ditch Repair Contract	\$ 129,068	\$ 78,410	\$ 50,658

**NOTE 11 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

GASB has issued GASB Statement 74 relating to postemployment benefit plans other than pension plans administered through trusts that meet certain criteria and includes requirements for OPEB plans not administered through trusts. This new statement requires additional note disclosures and additional required supplementary information. This statement is effective for financial statements for fiscal years beginning after June 15, 2016. We are recommending that a review of your actuarial study be completed with your actuarial firm to ensure compliance with the new standard.

GASB has issued GASB statement 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities. This statement is effective for financial statements for fiscal years beginning after June 15, 2017.

GASB has issued GASB statement 80 relating to blending requirements for certain component units. The new statement amends the blending requirements for financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement is effective for financial statements for fiscal years beginning after June 15, 2016.



**REQUIRED SUPPLEMENTARY INFORMATION**

**North Fork Crow River Watershed District  
Schedule of District's Proportionate Share  
of Net Pension Liability - General Employees Retirement Fund  
Last Ten Years\***

<u>For Fiscal Year Ended June 30,</u>	<u>District's Proportion of the Net Pension Liability (Asset)</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>State's Proportionate Share (Amount) of the Net Pension Liability Associated with the District</u>	<u>District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>District's Covered- Employee Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2016	0.0025%	\$ 202,988	\$ 2,722	\$ 205,710	\$ 156,387	129.80%	68.91%
2015	0.0024%	124,380	-	124,380	136,760	90.95%	78.19%

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

**North Fork Crow River Watershed District  
Schedule of District Contributions -  
General Employees Retirement Fund  
Last Ten Years\***

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2016	\$ 12,228	\$ 12,228	\$ -	\$ 163,040	7.50%
2015	11,038	11,038	-	147,173	7.50%

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

**North Fork Crow River Watershed District**  
**Notes to Required Supplementary Information**

**GENERAL EMPLOYEES FUND**

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**2015 Changes**

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

**SUPPLEMENTARY INFORMATION**

**North Fork Crow River Watershed District  
Combining Balance Sheet -  
Special Projects Funds  
December 31, 2016**

	Judicial Ditch No. 1 (301)	Judicial Ditch No. 2 (302)	County Ditch No. 5 (303)	County Ditch No. 7 (304)
<b>Assets</b>				
Cash	\$ 100	\$ 100	\$ 101	\$ 102
Property taxes receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Special assessments receivable				
Current	7	329	2,091	-
Delinquent	17	185	-	-
Deferred	145,388	7,086	19,901	-
Total assets	<u>\$ 145,512</u>	<u>\$ 7,700</u>	<u>\$ 22,093</u>	<u>\$ 102</u>
<b>Liabilities</b>				
Accounts payable	\$ 69,094	\$ -	\$ 2,546	\$ 5,852
Due to other funds	221,215	25,762	23,845	12,176
Total liabilities	<u>290,309</u>	<u>25,762</u>	<u>26,391</u>	<u>18,028</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - taxes and assessments	<u>145,405</u>	<u>7,271</u>	<u>19,901</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted	-	-	-	-
Unassigned	<u>(290,202)</u>	<u>(25,333)</u>	<u>(24,199)</u>	<u>(17,926)</u>
Total fund balances	<u>(290,202)</u>	<u>(25,333)</u>	<u>(24,199)</u>	<u>(17,926)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 145,512</u>	<u>\$ 7,700</u>	<u>\$ 22,093</u>	<u>\$ 102</u>

<u>County Ditch No. 21 (305)</u>	<u>County Ditch No. 29 (306)</u>	<u>County Ditch No. 32 (307)</u>	<u>County Ditch No. 36 (308)</u>	<u>County Ditch No. 37 (309)</u>	<u>County Ditch No. 38 (310)</u>	<u>Meeker County Ditch No. 4 (311)</u>
\$ 100	\$ 4,524	\$ 162,189	\$ 1,282	\$ 101	\$ 1,176	\$ 100
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10	-	-	7	-	-	1,248
-	-	-	5	-	-	-
<u>10,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,538</u>	<u>-</u>	<u>4,737</u>
<u>\$ 10,164</u>	<u>\$ 4,524</u>	<u>\$ 162,189</u>	<u>\$ 1,294</u>	<u>\$ 33,639</u>	<u>\$ 1,176</u>	<u>\$ 6,085</u>
\$ 1,451	\$ -	\$ 17,883	\$ -	\$ 255	\$ -	\$ -
<u>5,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,595</u>	<u>-</u>	<u>93,266</u>
<u>7,030</u>	<u>-</u>	<u>17,883</u>	<u>-</u>	<u>32,850</u>	<u>-</u>	<u>93,266</u>
<u>10,054</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>33,538</u>	<u>-</u>	<u>4,737</u>
-	4,524	144,306	1,289	-	1,176	-
<u>(6,920)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,749)</u>	<u>-</u>	<u>(91,918)</u>
<u>(6,920)</u>	<u>4,524</u>	<u>144,306</u>	<u>1,289</u>	<u>(32,749)</u>	<u>1,176</u>	<u>(91,918)</u>
<u>\$ 10,164</u>	<u>\$ 4,524</u>	<u>\$ 162,189</u>	<u>\$ 1,294</u>	<u>\$ 33,639</u>	<u>\$ 1,176</u>	<u>\$ 6,085</u>

**North Fork Crow River Watershed District  
Combining Balance Sheet -  
Special Projects Funds  
December 31, 2016**

	Meeker County Ditch No. 40 (312)	Meeker County Ditch No. 43 (313)	North Fork Crow River Watershed Wide Projects (314)
<b>Assets</b>			
Cash	\$ 158	\$ 100	\$ 45,226
Property taxes receivable			
Current	-	-	3
Delinquent	-	-	114
Special assessments receivable			
Current	-	755	-
Delinquent	-	602	-
Deferred	-	19,145	-
	<u>158</u>	<u>20,602</u>	<u>45,343</u>
Total assets	<u>\$ 158</u>	<u>\$ 20,602</u>	<u>\$ 45,343</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 2,292	\$ -
Due to other funds	-	38,046	-
Total liabilities	<u>-</u>	<u>40,338</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - taxes and assessments	-	19,747	114
	<u>-</u>	<u>19,747</u>	<u>114</u>
<b>Fund Balances</b>			
Restricted	158	-	45,229
Unassigned	-	(39,483)	-
Total fund balances	<u>158</u>	<u>(39,483)</u>	<u>45,229</u>
	<u>\$ 158</u>	<u>\$ 20,602</u>	<u>\$ 45,343</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 158</u>	<u>\$ 20,602</u>	<u>\$ 45,343</u>



Lake Koronis and Rice Lake (315)	WW/Mid SRF (317)	SRF 0218 (318)	SRF 0268 (321)	Total Special Projects Funds
\$ 104,533	\$ 84,171	\$ 132,164	\$ 22,562	\$ 558,789
-	-	-	-	3
15	-	-	-	129
-	-	1,402	621	6,470
-	4,909	3,961	-	9,679
-	18,329	75,272	33,914	367,364
<u>\$ 104,548</u>	<u>\$ 107,409</u>	<u>\$ 212,799</u>	<u>\$ 57,097</u>	<u>\$ 942,434</u>
\$ -	\$ -	\$ -	\$ -	\$ 99,373
-	-	-	-	452,484
-	-	-	-	551,857
<u>15</u>	<u>23,238</u>	<u>79,233</u>	<u>33,914</u>	<u>377,172</u>
104,533	84,171	133,566	23,183	542,135
-	-	-	-	(528,730)
<u>104,533</u>	<u>84,171</u>	<u>133,566</u>	<u>23,183</u>	<u>13,405</u>
<u>\$ 104,548</u>	<u>\$ 107,409</u>	<u>\$ 212,799</u>	<u>\$ 57,097</u>	<u>\$ 942,434</u>

**North Fork Crow River Watershed District  
Combining Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Special Projects Funds  
Year Ended December 31, 2016**

	Judicial Ditch No. 1 (301)	Judicial Ditch No. 2 (302)	County Ditch No. 5 (303)	County Ditch No. 7 (304)
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	735	7,232	20,798	-
Intergovernmental	-	-	-	-
Miscellaneous				
Investment income	1	1	1	218
Other	10,184	-	-	-
Total revenues	<u>10,920</u>	<u>7,233</u>	<u>20,799</u>	<u>218</u>
<b>Expenditures</b>				
Current				
Projects				
Wages	6,623	1,064	934	2,969
Managers and administrative	900	230	7	564
Maintenance and repair	131,156	-	6,941	-
Mileage and expense	640	129	78	98
Professional fees	118,923	3,472	10,214	67,625
Office expense	231	13	50	121
Other	135	6	27	236
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	7,621	1,109	881	69
Capital Outlay				
Project expenditures	<u>4,374</u>	<u>704</u>	<u>913</u>	<u>1,341</u>
Total expenditures	<u>270,603</u>	<u>6,727</u>	<u>20,045</u>	<u>73,023</u>
Excess of revenues over (under) expenditures	(259,683)	506	754	(72,805)
<b>Other Financing Sources</b>				
Loan proceeds	<u>108,767</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(150,916)	506	754	(72,805)
<b>Fund Balances</b>				
Beginning of year	<u>(139,286)</u>	<u>(25,839)</u>	<u>(24,953)</u>	<u>54,879</u>
End of year	<u>\$ (290,202)</u>	<u>\$ (25,333)</u>	<u>\$ (24,199)</u>	<u>\$ (17,926)</u>

County Ditch No. 21 (305)	County Ditch No. 29 (306)	County Ditch No. 32 (307)	County Ditch No. 36 (308)	County Ditch No. 37 (309)	County Ditch No. 38 (310)	Meeker County Ditch No. 4 (311)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,270	-	131,432	7	17,782	-	6,842
-	-	-	-	-	-	-
12	47	14	11	1	10	1
-	-	-	-	-	-	-
<u>3,282</u>	<u>47</u>	<u>131,446</u>	<u>18</u>	<u>17,783</u>	<u>10</u>	<u>6,843</u>
897	880	11,319	122	810	131	1,175
55	4	2,045	-	50	-	70
-	1,985	332,909	250	930	-	40,505
56	42	1,471	-	44	13	83
10,705	327	57,764	135	766	5	12,123
3	10	232	-	10	-	27
8	-	706	-	238	-	-
-	-	192,562	-	-	-	-
69	-	31,579	-	1,328	-	3,189
442	575	5,193	111	538	112	676
<u>12,235</u>	<u>3,823</u>	<u>635,780</u>	<u>618</u>	<u>4,714</u>	<u>261</u>	<u>57,848</u>
(8,953)	(3,776)	(504,334)	(600)	13,069	(251)	(51,005)
-	-	792,562	-	-	-	-
(8,953)	(3,776)	288,228	(600)	13,069	(251)	(51,005)
2,033	8,300	(143,922)	1,889	(45,818)	1,427	(40,913)
<u>\$ (6,920)</u>	<u>\$ 4,524</u>	<u>\$ 144,306</u>	<u>\$ 1,289</u>	<u>\$ (32,749)</u>	<u>\$ 1,176</u>	<u>\$ (91,918)</u>

**North Fork Crow River Watershed District  
Combining Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Special Projects Funds  
Year Ended December 31, 2016**

	Meeker County Ditch No. 40 (312)	Meeker County Ditch No. 43 (313)	North Fork Crow River Watershed Wide Projects (314)
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ 76
Special assessments	-	11,193	-
Intergovernmental	-	13,692	-
Miscellaneous			
Investment income	1	31	338
Other	-	-	-
Total revenues	<u>1</u>	<u>24,916</u>	<u>414</u>
<b>Expenditures</b>			
Current			
Projects			
Wages	2	2,635	-
Managers and administrative	-	493	-
Maintenance and repair	-	44,611	-
Mileage and expense	-	319	-
Professional fees	-	34,473	-
Office expense	-	109	-
Other	-	349	-
Debt Service			
Principal	-	-	-
Interest and fiscal charges	-	833	-
Capital Outlay			
Project expenditures	<u>1</u>	<u>1,162</u>	<u>-</u>
Total expenditures	<u>3</u>	<u>84,984</u>	<u>-</u>
Excess of revenues over (under) expenditures	(2)	(60,068)	414
<b>Other Financing Sources</b>			
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2)	(60,068)	414
<b>Fund Balances</b>			
Beginning of year	<u>160</u>	<u>20,585</u>	<u>44,815</u>
End of year	<u>\$ 158</u>	<u>\$ (39,483)</u>	<u>\$ 45,229</u>

Lake Koronis and Rice Lake (315)	WW/Mid SRF (317)	SRF 0218 (318)	SRF 0268 (321)	Total Special Projects Funds
\$ 26	\$ -	\$ -	\$ -	\$ 102
6,375	9,157	48,999	8,655	272,477
-	-	-	-	13,692
750	818	887	123	3,265
-	-	-	-	10,184
<u>7,151</u>	<u>9,975</u>	<u>49,886</u>	<u>8,778</u>	<u>299,720</u>
-	-	-	-	29,561
-	-	-	-	4,418
-	-	-	-	559,287
-	-	-	-	2,973
153	-	-	-	316,685
7	-	-	-	813
3,000	1	9	2	4,717
-	45,254	28,280	-	266,096
-	2,545	4,389	-	53,612
-	-	-	-	16,142
<u>3,160</u>	<u>47,800</u>	<u>32,678</u>	<u>2</u>	<u>1,254,304</u>
3,991	(37,825)	17,208	8,776	(954,584)
-	-	-	-	901,329
3,991	(37,825)	17,208	8,776	(53,255)
<u>100,542</u>	<u>121,996</u>	<u>116,358</u>	<u>14,407</u>	<u>66,660</u>
<u>\$ 104,533</u>	<u>\$ 84,171</u>	<u>\$ 133,566</u>	<u>\$ 23,183</u>	<u>\$ 13,405</u>

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**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***

**Independent Auditor's Report**

Honorable President and Managers  
of the Board  
North Fork Crow River Watershed District  
Brooten, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of North Fork Crow River Watershed District, Brooten, Minnesota, as of and for the year ended December 31, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 31, 2017.

**Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



### **Internal Control over Financial Reporting (Continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance as Audit Findings 2010-001 and 2010-003 that we consider to be material weaknesses.

### **Compliance and Other Matters**

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

### **District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bergan KDV, Ltd.*

St. Cloud, Minnesota  
May 31, 2017





## Report on Legal Compliance

### Independent Auditor's Report

Honorable President and Managers  
of the Board  
North Fork Crow River Watershed District  
Brooten, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of North Fork Crow River Watershed District, Brooten, Minnesota, as of and for the year ended December 31, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 31, 2017.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 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 listed categories, except that we did not test for compliance with the provisions for tax increment financing because it is not applicable to the District.

In connection with our audit, nothing came to our attention that caused us to believe that North Fork Crow River Watershed District, Brooten, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* except as described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance. 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 District's 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, this communication is not suitable for any other purpose.

*Bergan KDV, Ltd.*

St. Cloud, Minnesota  
May 31, 2017

**North Fork Crow River Watershed District  
Schedule of Findings and Responses on  
Internal Control and Legal Compliance**

**CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS**

**Material Weaknesses**

**Audit Finding 2010-001 – Lack of Segregation of Accounting Duties**

The District had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. In order to have appropriate segregation of accounting duties, the performance of the following duties would need to be completed by a different employee: initiation and authorization of transactions, recording and processing of transactions, reconciliation and reporting of transactions, and financial information and custody of assets.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the number of staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

**Management's Response**

Solutions to remedy this situation have been explored; it has been found that it would not be cost effective to hire additional staff to have greater segregation of duties.

**Audit Finding 2010-003 – Preparation of Financial Statements and Related Note Disclosures**

As a function of the audit process, auditors are required to gain an understanding of the District's internal control, including the financial reporting process.

The District does not have an internal control system designed to provide for the preparation of the financial statements and related note disclosures in accordance with accounting principles generally accepted in the United States of America. As auditors, we were requested to draft the financial statements and accompanying notes to financial statements. This circumstance is not unusual in an organization of your size.

This condition increases the risk that errors could occur which would not be prevented, or detected and corrected, in a timely manner. Even though all management decisions related to financial reporting are made by the District's management and approval of the financial statements lies with management, it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**North Fork Crow River Watershed District  
Schedule of Findings and Responses on  
Internal Control and Legal Compliance**

**CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS (CONTINUED)**

**Material Weaknesses (Continued)**

**Audit Finding 2010-003 – Preparation of Financial Statements and Related Note Disclosures  
(Continued)**

**Management's Response**

Solutions have been considered but it is not cost effective to hire additional staff qualified to prepare the financial statements.

**CURRENT YEAR LEGAL COMPLIANCE FINDINGS**

**Responsible Contractor**

According to *Minnesota State Statute* § 16C.285 subdivision 4, if the amount of the contract is estimated to exceed \$50,000 the successful contractor has to submit a verification of compliance signed under oath by an owner or officer verifying compliance with the minimum criteria set forth in § 16C.285 subdivision 3

During our audit we noted one of the District's contracts did not have the responsible contractor verbiage in it.

**Management's Response**

All future contracts will be reviewed to ensure that all appropriate contractor verbiage is included.

**Ensure Appropriate Subcontractor Verbiage**

According to *Minnesota State Statute* § 471.425 subdivision 4a, the contract between the government entity and a prime contractor should require the prime contractor to pay subcontractors within ten days of receipt of payment from the government entity or pay interest at the rate of 1½ percent per month or any part of a month.

During our audit we noted one of the District's contracts did not have the subcontractor's contractor verbiage in it.

**Management's Response**

All future contracts will be reviewed to ensure that all appropriate subcontractor verbiage is included.

**North Fork Crow River Watershed District  
Schedule of Findings and Responses on  
Internal Control and Legal Compliance**

**CURRENT YEAR LEGAL COMPLIANCE FINDINGS (CONTINUED)**

**Update Collateral Assignment Agreement**

According to *Minnesota State Statute* § 118A.03 subdivision 4, the collateral assignment should provide that, upon default, the depository shall release the collateral pledged to the government entity on demand, free of exchange or other charges.

During our legal compliance testing, it was noted the District's collateral agreement did not require the immediate release of collateral upon default.

**Management's Response**

The District will work with Bonanza Valley State Bank to modify the agreement to conform to Minnesota Statutes.