

**MIDDLE FORK CROW RIVER  
WATERSHED DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**SCHLENNER WENNER & CO.  
Certified Public Accountants  
& Business Consultants**

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
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**INTRODUCTORY  
SECTION**

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
DISTRICT MANAGERS AND OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**BOARD OF MANAGERS**

Term Expires

Robert Hodapp	President	4/26/2021
Bruce Wing	Vice President	4/26/2019
Ruth Schaefer	Secretary	4/26/2019
Gordy Behm	Treasurer	4/26/2020
Jay Hedtke	Co-Treasurer	4/26/2021

**DISTRICT OFFICIALS**

Margaret Johnson	Administrator
Kala Kaehler	Office and Finance Manager

**FINANCIAL  
SECTION**

## INDEPENDENT AUDITORS' REPORT

June 13, 2019

Board of Managers  
Middle Fork Crow River Watershed District  
Spicer, MN

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Middle Fork Crow River Watershed District (the District) as of and for the year ended December 31, 2018, and the related notes to the 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 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 Middle Fork Crow River Watershed District as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of District's Proportionate Share of the Net Pension Liability and Schedule of District Pension Contributions, as shown 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, 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### *Supplementary 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 introductory section and Schedule of Indebtedness, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019 on our consideration of Middle Fork Crow River Watershed District's internal control over financial reporting and 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 the effectiveness of 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 Middle Fork Crow River Watershed District's internal control over financial reporting and compliance.

## **Report on Other Legal and Regulatory Requirements**

In accordance with Minnesota Statutes, we have also issued our report dated June 13, 2019 on our consideration of Middle Fork Crow River Watershed District's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the District has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

## **BASIC FINANCIAL STATEMENTS**



**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 647,959
Property Taxes Receivable	16,289
Assessments Receivable	52,012
Grants Receivable	41,419
Prepays	8,241
Capital Assets:	
Capital Assets not Being Depreciated	105,783
Capital Assets Being Depreciated (Net)	<u>509,502</u>
<b>TOTAL ASSETS</b>	<b>1,381,205</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	67,653
<b>LIABILITIES</b>	
Accounts Payable	18,385
Salaries Payable	15,875
Accrued Interest	188
Accrued Vacation	10,700
Unearned Revenue	51,881
Noncurrent Liabilities:	
Debt Due Within One Year	36,220
Debt Due After One Year	507,885
Net Pension Liability	<u>177,523</u>
<b>TOTAL LIABILITIES</b>	<b>818,657</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	39,400
<b>NET POSITION</b>	
Net Investment in Capital Assets	285,285
Restricted	147,757
Unrestricted	<u>157,759</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 590,801</u></b>

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Capital Grants and Contributions	
<b>Governmental Activities:</b>				
Meetings and Seminars	\$ 5,754	\$ -	\$ -	\$ (5,754)
Contract Labor	82,863	-	78,160	(4,703)
Administrative Expense	14,174	2,824	-	(11,350)
BMP Implementation Expense	65,780	-	2,021	(63,759)
Professional Services	37,459	-	-	(37,459)
Dues	4,580	-	-	(4,580)
Insurance	5,873	-	-	(5,873)
Employee Wages	227,240	-	-	(227,240)
Employee Benefits	48,043	-	-	(48,043)
Payroll Tax Expense	21,927	-	-	(21,927)
Utilities	8,616	-	-	(8,616)
Equipment and Maintenance	5,354	-	-	(5,354)
Monitoring	11,527	-	-	(11,527)
Public Education	2,045	-	-	(2,045)
Office Expense	7,152	-	-	(7,152)
Miscellaneous	2,198	-	-	(2,198)
Unallocated Depreciation	25,951	-	-	(25,951)
Debt Interest	23,323	-	-	(23,323)
<b>Total Governmental Activities</b>	<b><u>\$ 599,859</u></b>	<b><u>\$ 2,824</u></b>	<b><u>\$ 80,181</u></b>	<b>(516,854)</b>
<b>General Revenues:</b>				
Property Taxes				448,121
Intergovernmental				5,629
Unallocated Grants				118,777
Miscellaneous Revenues				1,556
Investment Income				4,714
<b>Total General Revenues</b>				<b><u>578,797</u></b>
<b>CHANGE IN NET POSITION</b>				61,943
<b>NET POSITION - BEGINNING OF YEAR</b>				<b><u>528,858</u></b>
<b>NET POSITION - END OF YEAR</b>				<b><u>\$ 590,801</u></b>

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	General Fund	Lake Associations Fund	Basic Water Management Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 399,276	\$ 46,362	\$ 56,486	\$ 145,835	\$ 647,959
Property Taxes Receivable	9,909	-	2,804	3,576	16,289
Assessments Receivable	46,513	5,499	-	-	52,012
Grants Receivable	41,419	-	-	-	41,419
Prepays	13,491	-	-	-	13,491
<b>TOTAL ASSETS</b>	<b>\$ 510,608</b>	<b>\$ 51,861</b>	<b>\$ 59,290</b>	<b>\$ 149,411</b>	<b>\$ 771,170</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 18,385	\$ -	\$ -	\$ -	\$ 18,385
Salaries Payable	15,875	-	-	-	15,875
Accrued Vacation	10,700	-	-	-	10,700
Unearned Revenue	51,881	-	-	-	51,881
Total Liabilities	96,841	-	-	-	96,841
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue					
Property Taxes	4,772	-	1,070	1,466	7,308
Special Assessments	44,956	3,783	-	-	48,739
Total Deferred Inflows of Resources	49,728	3,783	1,070	1,466	56,047
<b>FUND BALANCES</b>					
Nonspendable	13,491	-	-	-	13,491
Restricted	-	-	-	147,945	147,945
Assigned	-	48,078	58,220	-	106,298
Unassigned	350,548	-	-	-	350,548
Total Fund Balances	364,039	48,078	58,220	147,945	618,282
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 510,608</b>	<b>\$ 51,861</b>	<b>\$ 59,290</b>	<b>\$ 149,411</b>	<b>\$ 771,170</b>

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

Total Fund Balance for Governmental Funds	\$	618,282
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Land and Non-Depreciable Assets	\$	105,783
Depreciable Assets (Net of Accumulated Depreciation of \$151,154)		<u>509,502</u>
		615,285
The net pension liability and related inflows/outflows represent the allocation of the pension obligations of the Statewide plans to the District. Such balances are not reported in the funds:		
Net Pension Liability		(177,523)
Deferred Outflows - Pensions		67,653
Deferred Inflows - Pensions		<u>(39,400)</u>
		(149,270)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes Receivable		7,308
Assessments Receivable		<u>48,739</u>
		56,047
Interest payable on long-term debt does not require current financial resources and, therefore, is not reported as a liability in the governmental funds Balance Sheet.		
		(188)
Prepaid interest payments are not considered to be expenditures in the fund financial statements until they are due.		
		(5,250)
Long-term liabilities are not due and payable in the current period, and therefore, they are not reported in the governmental funds Balance Sheet:		
Bonds and Notes Due Within One Year		(36,220)
Bonds and Notes Due In More Than One Year		<u>(507,885)</u>
		<u>(544,105)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>590,801</u></b>

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund	Lake Associations Fund	Basic Water Management Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 250,889	\$ -	\$ 85,936	\$ 103,988	\$ 440,813
Special Assessments	50,547	74,377	-	-	124,924
Intergovernmental	5,629	-	-	-	5,629
Grants	118,777	-	-	-	118,777
Licenses and Permits	2,824	-	-	-	2,824
Miscellaneous	200	-	-	-	200
Investment Income	4,714	-	-	-	4,714
<b>TOTAL REVENUES</b>	<b>433,580</b>	<b>74,377</b>	<b>85,936</b>	<b>103,988</b>	<b>697,881</b>
<b>EXPENDITURES</b>					
Current:					
Meetings and Seminars	5,754	-	-	-	5,754
Contract Labor	40,285	42,578	-	-	82,863
Administrative Expense	14,174	-	-	-	14,174
BMP Implementation Expense	55,741	-	-	-	55,741
Professional Services	37,459	-	-	-	37,459
Dues	4,580	-	-	-	4,580
Insurance	5,873	-	-	-	5,873
Employee Wages	227,240	-	-	-	227,240
Employee Benefits	25,323	-	-	-	25,323
Payroll Tax Expense	21,927	-	-	-	21,927
Utilities	8,616	-	-	-	8,616
Equipment and Maintenance	5,354	-	-	-	5,354
Monitoring	11,527	-	-	-	11,527
Public Education	2,045	-	-	-	2,045
Office Expense	6,991	-	161	-	7,152
Miscellaneous	2,198	-	-	-	2,198
Debt Service:					
Principal	60,000	-	-	30,958	90,958
Interest	13,125	-	-	3,759	16,884
Capital Outlay	12,880	-	-	-	12,880
<b>TOTAL EXPENDITURES</b>	<b>561,092</b>	<b>42,578</b>	<b>161</b>	<b>34,717</b>	<b>638,548</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(127,512)</b>	<b>31,799</b>	<b>85,775</b>	<b>69,271</b>	<b>59,333</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	31,142	-	-	-	31,142
Operating Transfers Out	-	(3,587)	(27,555)	-	(31,142)
Proceeds from Issuance of Debt	75,093	-	-	-	75,093
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>106,235</b>	<b>(3,587)</b>	<b>(27,555)</b>	<b>-</b>	<b>75,093</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(21,277)</b>	<b>28,212</b>	<b>58,220</b>	<b>69,271</b>	<b>134,426</b>
<b>FUND BALANCES - BEGINNING</b>	<b>385,316</b>	<b>19,866</b>	<b>-</b>	<b>78,674</b>	<b>483,856</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 364,039</b>	<b>\$ 48,078</b>	<b>\$ 58,220</b>	<b>\$ 147,945</b>	<b>\$ 618,282</b>

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net Change In Fund Balances - Total Governmental Funds \$ 134,426

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital Outlay Capitalized	\$ 12,880	
Depreciation Expense	<u>(25,951)</u>	
		(13,071)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in Long-Term Receivables		(47,474)
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Proceeds from the issuance of long-term debt is an other financing source in the governmental funds, while repayment of debt principal is an expenditure in the governmental funds. However, neither transaction has any effect on net position:

Proceeds from Debt Issuance	(75,093)	
Interest Capitalized into Loan Balance	(1,140)	
Debt Principal Payments	<u>90,958</u>	
		14,725

Net change in accrued/prepaid interest on long-term debt is not reported as an expenditure in the funds.		(5,299)
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Net pension liability does not represent the impending use of current resources. Therefore, the change in this liability and the related deferrals is not reported in the governmental funds.

(21,364)

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 61,943</u></b>
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**MIDDLE FORK CROW RIVER WATERSHED DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Middle Fork Crow River Watershed District (the District) was established on April 27, 2005 to benefit the public welfare and public interest, and advance the purpose of Minnesota Statutes Chapter 103D. The District includes approximately 271 square miles in Kandiyohi, Meeker, Pope, and Stearns Counties.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**1.A. FINANCIAL REPORTING ENTITY**

The District was established in 2005 pursuant to applicable Minnesota laws and statutes. It is governed by an elected board of five managers with three managers from Kandiyohi County, one manager from Meeker County, and one manager from Stearns County. Board elections are held annually at the first regular meeting of the fiscal year.

In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the District appointed a voting majority of the units' board; the District is either able to impose its will on the unit or a financial benefit or burden relationship exists.

**Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the District's Board of Managers or the component unit provides services entirely to the District. These component units' funds are blended into those of the District's by appropriate activity type to compose the primary government presentation. Currently, the District does not have any blended component units.

**Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the District has no discretely presented component units.

**1.B. BASIS OF PRESENTATION**

**Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds (of which, the District has none). Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Funds of the District are all in the governmental category. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**1.B. BASIS OF PRESENTATION (Continued)**

**Fund Financial Statements (Continued)**

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least five percent of the corresponding total for all governmental and proprietary funds combined.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund and is always classified as a major fund. It accounts for all financial resources of the general government, except those legally or administratively required to be accounted for in other funds.

The *Lake Associations Fund* is a special revenue fund used to account for proceeds of specific revenue sources that are assigned for expenditures for the Lake Associations' projects.

The *Basic Water Management Fund* is a special revenue fund used to account for proceeds of specific revenue sources that are assigned for expenditures for Basic Water Management projects.

The *Debt Service Fund* is used to account for the accumulation of financial resources for the payment of principal and interest on the long-term debt of the District, other than the Limited Tax Bonds for which it cannot specifically levy. The District annually levies ad valorem taxes restricted for the retirement of such debt.

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the *economic resources* measurement focus as defined in the second bullet point below.

In the fund financial statements, the *current financial resources* measurement focus or the *economic resources* measurement focus is used as appropriate:

- All governmental funds utilize a *current financial resources* measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The government-wide financial statements utilize an *economic resources* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery) and financial position. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with their activities are reported.



**MIDDLE FORK CROW RIVER WATERSHED DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)**

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the *accrual basis of accounting*. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the *modified accrual basis of accounting*. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

**1.D. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows, and disclosure of contingencies related to these balances at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY**

**Cash and Cash Equivalents**

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all checking and savings accounts of the District. See Note 3.A. for additional information related to Cash and Cash Equivalents.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and are not deemed necessary at year end. Major receivable balances for the governmental activities include taxes, special assessments, and grants.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis, but are not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. No allowances are deemed necessary at year end.

**Prepaid Expenditures/Expenses**

Prepays represent expenditures/expenses paid during the current year to be recognized in future periods.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)**

**Capital Assets**

Capital assets are defined by the District as purchases made for items with an individual cost of \$2,500 or more and must have an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The range of estimated useful lives by type of asset is as follows:

Computer Equipment	5 years
Furniture	7 years
Monitoring Equipment	10 years
Educational Tools (exhibits)	15 years
Property	40 years

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an unallocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

Capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Compensated Absences**

Under the District's policies, employees are granted vacation leave based on their length of services. Unused accumulated vacation time is paid to employees upon termination. An employee cannot carry a balance of more than 240 hours of vacation time at any time. Compensated absences are accrued when incurred and a liability for these amounts is reported in the government funds.

**Noncurrent Liabilities**

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists of limited tax bonds payable and notes payable for the MN Clean Water Partnership Project.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

**Net Pension Liability**

The net pension liability represents the District's allocation of its pro-rata share of the Statewide General Employees Retirement Fund net pension liability.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)**

**Net Pension Liability (Continued)**

PERA

For purposes of measuring the net pension liability, deferred outflows/inflows or 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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources (expense) until then. The District reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension fund in which District employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenues as deferred inflows of resources. Unavailable revenues consist of property taxes and special assessments. Accordingly, these amounts are deferred and recognized as inflows of resources in the period that they become available, in accordance with the modified accrual basis of accounting. In addition, the District reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension fund in which District employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period in which they become available.

See Note 4.A. for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

**Equity Classifications**

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the District's policy to consider restricted net position to its depletion before unrestricted net position is applied.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)**

**Equity Classifications (Continued)**

Fund Statements

In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned or unassigned. When the District incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the District incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2018 consists of prepaid expenditures.

Restricted – The portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District’s Board of Managers, which is the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the District’s Board modifies or rescinds the commitment by resolution.

Assigned – Amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. The authority to assign fund balance has not been formally delegated by the Board of Managers.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The District has not adopted a formal policy regarding the minimum unassigned fund balance to be maintained in the General Fund.

See Note 3.E. for additional disclosures.

**1.F. REVENUES AND EXPENDITURES**

**Property Tax**

An ad valorem property tax may be levied against all properties in the District with levy limits prescribed by State statute. Property tax levies must be approved by the District Board and certified by the Kandiyohi, Meeker, Pope, and Stearns County Auditors during the month of October of each year for collection in the following year. Taxes are payable to the counties in two installments by May 15 and October 15. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

Special assessment levies may be approved by the District Board for maintenance and construction purposes in accordance with State statutes. These assessments are charged against those properties benefiting from the maintenance and construction. Special assessments must be certified to the County Auditors in a manner similar to property taxes.

Property taxes and special assessments receivable consist of amounts certified to Kandiyohi, Meeker, Pope, and Stearns Counties but not yet collected. Special assessments receivable are recorded when the full levy amount is submitted to the County, though actual assessment against property owners may occur over several years.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**1.F. REVENUES AND EXPENDITURES (Continued)**

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

**Interfund Transfers**

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. See Note 3.D. for additional information.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2.A. FUND ACCOUNTING REQUIREMENTS AND DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

By its nature as a local government unit, the District is subject to various Federal, State, and local laws and contractual regulations. The District complies with all state and local laws and regulations requiring the use of separate funds.

In accordance with State law, all uninsured deposits of District funds in financial institutions must be secured with acceptable collateral valued at market. Minnesota Statutes require that all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC or FSLIC insurance (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The District complies with such laws.

**2.B. BUDGETARY INFORMATION**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for the General Fund and all major special revenue funds.

Budgeted amounts are reported as originally adopted or as amended by the Board. There were no amendments to the current year budgets. Budget expenditure appropriations lapse at year end.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**2.C. EXPENDITURES IN EXCESS OF BUDGET**

Actual expenditures exceed total budgeted expenditures for the current year end as follows:

Fund	Budgeted Expenditures	Actual Expenditures	Transfers Included in Actual
Basic Water Management Fund	\$ -	\$ 27,716	\$ 27,555

The expenditures in excess of budget were funded by current year revenues.

**NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, revenues and expenditures/expenses.

**3.A. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Deposits**

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District’s Board of Managers. Minnesota Statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100 percent if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank).

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.A.    CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**Deposits (Continued)**

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the Board of Managers.

At December 31, 2018, the District’s deposits were not exposed to custodial credit risk. The District’s deposits were sufficiently covered by federal depository insurance or by collateral held by the District’s agent in the District’s name.

**Investments**

The District may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District does not have any investment policies that would further limit investment choices.

At December 31, 2018, the District does not hold any investments.

**3.B.    CAPITAL ASSETS**

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

	Balance at 01/01/18	Additions	Disposals	Transfers	Balance at 12/31/18
Capital Assets not Being Depreciated					
Land	\$ 105,783	\$ -	\$ -	\$ -	\$ 105,783
Capital Assets Being Depreciated					
Equipment	651,458	12,880	(3,682)	-	660,656
Less: Accumulated Depreciation					
Equipment	<u>(128,885)</u>	<u>(25,951)</u>	<u>3,682</u>	<u>-</u>	<u>(151,154)</u>
Total Capital Assets Being Depreciated, Net	<u>522,573</u>	<u>(13,071)</u>	<u>-</u>	<u>-</u>	<u>509,502</u>
Capital Assets, Net	<u>\$ 628,356</u>	<u>\$ (13,071)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615,285</u>

All depreciation expense is unallocated as of December 31, 2018.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.C.    NONCURRENT LIABILITIES**

As of December 31, 2018, the long-term debt of the financial reporting entity consists of the following:

Notes Payable - MN Clean Water Partnership Project					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
06/08	\$ 200,000	\$12,026 - \$14,101	2.00%	06/21	\$ 35,082
06/11	200,000	\$12,071 - \$14,439	2.00%	12/24	82,474
07/15	100,000	\$9,325 - \$10,934	2.00%	06/28	96,549
					214,105
Limited Tax Bonds					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
10/12	\$ 495,000	\$20,000 - \$40,000	3.50%	02/28	\$ 330,000
		Total Governmental Activities Long Term Debt			544,105
		Due Within One Year			36,220
		Due After One Year			\$ 507,885

**Changes in Noncurrent Liabilities**

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2018:

Type of Debt	Balance 1/1/18	Additions	Reductions	Balance 12/31/18	Due Within One Year
MN Clean Water Partnership Project	\$ 48,633	\$ -	\$ (13,551)	\$ 35,082	\$ 13,824
MN Clean Water Partnership Project	95,288	-	(12,814)	82,474	13,071
MN Clean Water Partnership Project	24,909	76,233	(4,593)	96,549	9,325
Limited Tax Bonds	390,000	-	(60,000)	330,000	-
Total	\$ 558,830	\$ 76,233	\$ (90,958)	\$ 544,105	\$ 36,220

Debt service requirements are financed by the General fund and the Debt Service fund.



**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.C.    NONCURRENT LIABILITIES (Continued)**

**Annual Debt Service Requirements**

At December 31, 2018, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

Year Ended December 31,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 36,220	\$ 9,877	\$ 46,097
2020	66,948	14,398	81,346
2021	65,462	12,519	77,981
2022	58,774	10,754	69,528
2023	59,252	9,051	68,303
2024-2028	<u>257,449</u>	<u>34,357</u>	<u>291,806</u>
Totals	<u>\$ 544,105</u>	<u>\$ 90,956</u>	<u>\$ 635,061</u>

Interest and fiscal charges expense totals \$23,323 for the Statement of Activities. Interest expenditures are \$16,884 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

**3.D.    INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers consist of the following for the year ended December 31, 2018:

Funds	Transfers	Transfers In
	Out	General Fund
Lake Association	\$ 3,587	\$ 3,587
Basic Water Management	<u>27,555</u>	<u>27,555</u>
	<u>\$ 31,142</u>	<u>\$ 31,142</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.E.    FUND EQUITY**

At December 31, 2018, fund equity is classified as follows:

General Fund					
Nonspendable - Prepaids		\$	13,491		
Unassigned			350,548		
Total General Fund Balance		\$	364,039		
Lake Associations Fund					
Assigned for Lake Associations Projects		\$	48,078		
Basic Water Management Fund					
Assigned for Basic Water Management Projects		\$	58,220		
Debt Service Funds					
Restricted for Debt Service		\$	147,945		

**NOTE 4    OTHER NOTES**

**4.A.    EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**Plan Description**

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

General Employees Retirement Plan

All full-time and certain part-time employees of Middle Fork Crow River Watershed District are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**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. Vested, terminated employees who are entitle 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

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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 and Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for each additional year. 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.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES (Continued)**

**4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

**Benefits Provided (Continued)**

General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

**Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in calendar year 2018 and the District was required to contributed 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended December 31, 2018 total \$15,007. The District's contributions are equal to the required contributions as set by State Statute.

**Pension Costs**

General Employees Fund Pension Costs

At December 31, 2018, the District reported a liability of \$177,523 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 \$16 million to the fund in 2018. 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 \$5,814. The net pension liability was measured as of June 30, 2018 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the District's proportionate share was 0.0032 percent which was an increase of 0.0007 from its proportionate share measured as of June 30, 2017.

District's proportionate share of the net pension liability:	\$177,523
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>5,814</u>
Total	<u>\$183,337</u>

For the year ended December 31, 2018, the District recognized pension expense of \$21,467 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$1,356 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES (Continued)**

**4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

**Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

At December 31, 2018, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 3,717	\$ 4,045
Changes in Actuarial Assumptions	13,248	16,960
Difference Between Projected and Actual Investment Earnings	-	18,395
Changes in Proportionate Share	43,881	-
Contributions Paid to PERA Subsequent to the Measurement Date	6,807	-
 Total Township Deferred Outflows/Inflows	 \$ 67,653	 \$ 39,400

A total of \$6,807 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, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2019	\$ 24,070
2020	2,417
2021	(1,336)
2022	(3,705)

Total Pension Expense

The total pension expense, including amortization of prior deferral balances, for all plans recognized by the District for the year ended December 31, 2018, was \$22,270.

**Actuarial Assumptions**

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	Rates
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES (Continued)**

**4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

**Actuarial Assumptions (Continued)**

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 to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scaled was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long- Term Expected Real Rate of Return</u>
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	<u>2%</u>	0.00%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. 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 these 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.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 OTHER NOTES (Continued)**

**4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

**Pension Liability Sensitivity**

The following 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 one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase in Discount Rate (8.50%)</u>
Net Pension Liability	\$ 288,497	\$ 177,523	\$ 85,917

**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).

**4.B. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the purchases commercial insurance. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

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

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
<b>RESOURCES (INFLOWS):</b>			
Property Taxes and Special Assessments	\$ 356,210	\$ 301,436	\$ (54,774)
Intergovernmental	-	5,629	5,629
Grants	238,900	118,777	(120,123)
Licenses and Permits	-	2,824	2,824
Miscellaneous	2,700	200	(2,500)
Investment Income	1,200	4,714	3,514
Transfers In	-	31,142	31,142
Proceeds from Debt Issuance	15,100	75,093	59,993
<b>AMOUNTS AVAILABLE</b>	<u>614,110</u>	<u>539,815</u>	<u>(74,295)</u>
<b>EXPENDITURES (OUTFLOWS):</b>			
Current:			
Meetings and Seminars	3,500	5,754	2,254
Contract Labor	81,200	40,285	(40,915)
Administrative Expense	13,700	14,174	474
BMP Implementation Expense	198,907	55,741	(143,166)
Professional Services	28,000	37,459	9,459
Dues	2,400	4,580	2,180
Insurance	8,000	5,873	(2,127)
Employee Wages	219,641	227,240	7,599
Employee Benefits and Taxes	49,440	47,250	(2,190)
Utilities and Office Expense	20,000	15,607	(4,393)
Equipment and Maintenance	1,000	5,354	4,354
Monitoring	34,000	24,407	(9,593)
Public Education	2,000	2,045	45
Miscellaneous	-	2,198	2,198
Debt Service:			
Principal	58,225	60,000	1,775
Interest	-	13,125	13,125
<b>TOTAL EXPENDITURES</b>	<u>720,013</u>	<u>561,092</u>	<u>(158,921)</u>
<b>BUDGETARY CHANGE IN FUND BALANCE</b>	<u>\$ (105,903)</u>	<u>(21,277)</u>	<u>\$ 84,626</u>
<b>FUND BALANCE - BEGINNING</b>		<u>385,316</u>	
<b>FUND BALANCE - ENDING</b>		<u>\$ 364,039</u>	



**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - LAKE ASSOCIATIONS FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
<b>RESOURCES (INFLOWS):</b>			
Property Taxes and Special Assessments	\$ 75,400	\$ 74,377	\$ (1,023)
<b>EXPENDITURES (OUTFLOWS):</b>			
Current:			
Contract Labor	75,400	42,578	(32,822)
Transfers Out	-	3,587	3,587
<b>TOTAL EXPENDITURES</b>	<u>75,400</u>	<u>46,165</u>	<u>(29,235)</u>
<b>BUDGETARY CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	28,212	<u>\$ 28,212</u>
<b>FUND BALANCE - BEGINNING</b>		<u>19,866</u>	
<b>FUND BALANCE - ENDING</b>		<u>\$ 48,078</u>	

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - BASIC WATER MANAGEMENT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget Amounts- Original and Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
<b>RESOURCES (INFLOWS):</b>			
Property Taxes and Special Assessments	\$ 88,000	\$ 85,936	\$ (2,064)
<b>EXPENDITURES (OUTFLOWS):</b>			
Current:			
Office	-	161	161
Transfers Out	-	27,555	27,555
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>27,716</u>	<u>27,716</u>
<b>BUDGETARY CHANGE IN FUND BALANCE</b>	<u>\$ 88,000</u>	58,220	<u>\$ (29,780)</u>
<b>FUND BALANCES - BEGINNING</b>		<u>-</u>	
<b>FUND BALANCES - ENDING</b>		<u>\$ 58,220</u>	

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**LAST TEN YEARS (Presented Prospectively)**

For the Measurement Year Ended June 30,	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b><i>General Employees Retirement Fund Pension Plan</i></b>							
2018	0.0032%	\$ 177,523	\$ 5,814	\$ 183,337	\$ 216,733	84.6%	79.5%
2017	0.0025%	\$ 159,598	\$ 2,045	\$ 161,643	\$ 164,147	98.5%	75.9%
2016	0.0025%	\$ 202,988	\$ 2,617	\$ 205,605	\$ 154,093	133.4%	68.9%
2015	0.0017%	\$ 88,103	-	\$ 88,103	\$ 102,262	86.2%	78.2%

Note: The schedule is provided prospectively beginning with District's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT**  
**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS**  
**LAST TEN YEARS** (Presented Prospectively)

For the Calendar Year Ended December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b><i>General Employees Retirement Fund Pension Plan</i></b>					
2018	\$ 15,007	\$ 15,007	\$ -	\$ 200,093	7.5%
2017	\$ 15,080	\$ 15,080	\$ -	\$ 201,071	7.5%
2016	\$ 11,458	\$ 11,458	\$ -	\$ 152,780	7.5%
2015	\$ 9,855	\$ 9,855	\$ -	\$ 131,398	7.5%

Note: The schedule is provided prospectively beginning with District's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018**

**NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND**

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

**2017 Changes**

Changes in Plan Provisions

- The State’s special funding contribution increased from \$6 million to \$16 million.

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- 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 percent to 3.25 percent for payroll growth and 2.50 percent 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; the State’s contribution of \$6 million, which meets the special funding situation definition, is due September 2015.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

**SUPPLEMENTARY  
INFORMATION**

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
SCHEDULE OF INDEBTEDNESS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

	Issue Date	Interest Rates	Maturity Date	Initial Authorized Issue	Outstanding Balance 01/01/18	Issued	Paid	Outstanding Balance 12/31/18	Principal Due in 2019
<b>GOVERNMENTAL ACTIVITIES</b>									
Limited Tax Bonds, Series 2012A	10/1/2012	3.50%	2/1/2028	\$ 495,000	\$ 390,000	\$ -	\$ 60,000	\$ 330,000	\$ -
MN Clean Water Partnership Project - SRF0169	6/19/2008	2.00%	6/15/2021	200,000	48,633	-	13,551	35,082	13,824
MN Clean Water Partnership Project - SRF0213	6/30/2011	2.00%	12/15/2024	200,000	95,288	-	12,814	82,474	13,071
MN Clean Water Partnership Project - SRF0294	7/29/2015	2.00%	6/15/2028	100,000	24,909	76,233	4,593	96,549	9,325
<b>TOTAL INDEBTEDNESS</b>				<u>\$ 995,000</u>	<u>\$ 558,830</u>	<u>\$ 76,233</u>	<u>\$ 90,958</u>	<u>\$ 544,105</u>	<u>\$ 36,220</u>

**OTHER REQUIRED  
REPORTS**



**INDEPENDENT AUDITORS' 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**

June 13, 2019

Board of Managers  
Middle Fork Crow River Watershed District  
Spicer, MN

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 Middle Fork Crow River Watershed District (the District), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 13, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Middle Fork Crow River Watershed 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying *Schedule of Findings and Responses* to be material weaknesses: 2007-001 and 2008-001.

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. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a significant deficiency: 2007-002.

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**St. Cloud**  
320.251.0286

**Little Falls**  
320.632.6311

**Albany**  
320.845.2940

**Maple Lake**  
320.963.5414

**Monticello**  
763.295.5070

## **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**

Middle Fork Crow River Watershed District's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 results 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.

**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2007-001            Limited Segregation of Duties**

*Condition:*                            During our audit we reviewed procedures over cash receipts, cash disbursements, payroll and financial reporting and found the District to have limited segregation of duties over those transaction cycles. This has been a recurring finding since 2007.

*Criteria:*                                Internal control that supports the District’s ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties. In other words, no one person may have control over two or more of these responsibilities.

*Cause:*                                    Limited number of staff members.

*Effect:*                                    The existence of limited segregation of 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.

*Recommendation:*                    Although the number of staff members may not be large enough to eliminate this deficiency, we recommend that the District evaluate current procedures and segregate where possible and implement compensating controls. It is important that the Board of Managers is aware of this condition and monitor all financial information.

*Views of Responsible  
Officials And Planned  
Corrective Actions:*                    Management agrees with the recommendation. See corresponding Corrective Action Plan.

**Finding 2007-002            Financial Statement Preparation**

*Condition:*                                Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the District. It is management’s responsibility to provide for the preparation of financial statements and the auditors’ responsibility to determine the fairness of the presentation. This deficiency could result in a material misstatement that could have been prevented or detected by management. This has been a recurring finding since 2007.

*Criteria:*                                    Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

*Cause:*                                    The District’s staff does not possess the expertise to prepare financial statements internally. This is not unusual for an organization of your size.

*Effect:*                                    The inability to internally prepare the District’s financial statements can result in undetected errors in financial reporting.

*Recommendation:*                    We recommend that management review a draft of the financial statements in detail for accuracy. During review, we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the District should agree the financial statement numbers to their accounting software. The District may not have the ability to eliminate this finding.

*Views of Responsible  
Officials And Planned  
Corrective Actions:*                    Management agrees with the recommendation. See corresponding Corrective Action Plan.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2008-001                      Material Audit Adjustments**

*Condition:*                      Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit. This has been a recurring finding since 2008.

*Criteria:*                         The District is required to report accurate financial information.

*Cause:*                             The District failed to record adjustments for various year-end entries.

*Effect:*                            The misstatement in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

*Recommendation:*             We recommend management perform a thorough review of the trial balance prior to the audit and ensure all transactions have been properly recorded.

*Views of Responsible  
Officials And Planned  
Corrective Actions:*             Management agrees with the recommendation. See corresponding Corrective Action Plan.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2007-001            Limited Segregation of Duties**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The District will review and make improvements to its internal controls on an ongoing basis, and attempt to maximize the segregation of duties in all areas within the limits of the staff available.
3. Official Responsible  
Margaret Johnson, Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The Board of Managers will be monitoring this Corrective Action Plan.

**Finding 2007-002            Financial Statement Preparation**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The District may continue to have the auditor prepare the financial statements and will continue to document the annual review of the financial statements and related footnote disclosures. The District will revisit this decision on an ongoing, annual basis.
3. Official Responsible  
Margaret Johnson, Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The Board of Managers will be monitoring this Corrective Action Plan.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2008-001            Material Audit Adjustments**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
  
2. Actions Planned in Response to Finding  
The District will thoroughly review the trial balance prior to audit fieldwork and make any adjusting entries before submitting the trial balance to the auditors.
  
3. Official Responsible  
Margaret Johnson, Administrator, is the official responsible for ensuring corrective action.
  
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
  
5. Plan to Monitor Completion  
The Board of Managers will be monitoring this Corrective Action Plan.

**INDEPENDENT AUDITORS' REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

June 13, 2019

Board of Managers  
Middle Fork Crow River Watershed District  
Spicer, MN

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 Middle Fork Crow River Watershed District (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2019.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65, contains five categories of compliance to be tested: deposits and investments, conflicts of interest, claims and disbursements, contracting and bidding, and miscellaneous provisions. Our audit considered all of the listed categories.

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

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

**SCHLENNER WENNER & CO.**  
St. Cloud, Minnesota