

**LOWER MINNESOTA RIVER
WATERSHED DISTRICT**

ANNUAL FINANCIAL REPORT

December 31, 2016

- This page intentionally left blank -

LOWER MINNESOTA RIVER WATERSHED DISTRICT
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u> <u>No.</u>
INTRODUCTORY SECTION		
Organization		3
FINANCIAL SECTION		
Independent Auditor's Report		7
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	Statement 1	12
Statement of Activities	Statement 2	13
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Statement 3	14
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	Statement 4	15
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds	Statement 5	16
Notes to Financial Statements		17
Required Supplementary Information:		
Budgetary Comparison Schedule - General Fund	Statement 6	30
Budgetary Comparison Schedule - Note to RSI		31
Individual Fund Financial Statements:		
General Fund:		
Comparative Balance Sheet	Statement 7	34
Comparative Statement of Revenue, Expenditures and Changes in Fund Balance	Statement 8	35

LOWER MINNESOTA RIVER WATERSHED DISTRICT
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
Capital Project Fund:		
Nine Foot Channel Fund:		
Comparative Balance Sheet	Statement 9	36
Comparative Statement of Revenue, Expenditures and Changes in Fund Balance	Statement 10	37
SUPPLEMENTARY FINANCIAL INFORMATION		
Schedule of 509 Planning/Project Expenditures	Exhibit 1	40
OTHER INFORMATION - UNAUDITED		
Schedule of Cumulative Expenditures	Table 1	42
OTHER REPORTS		
Report on Internal Control		47
Minnesota Legal Compliance Report		49

INTRODUCTORY SECTION

- This page intentionally left blank -

LOWER MINNESOTA RIVER WATERSHED DISTRICT

ORGANIZATION

December 31, 2016

	<u>Term Expires</u>
Board of Managers:	
Yvonne Shirk, President	March 2018
Jesse Hartman, Vice-President	March 2017
David Raby, Treasurer	March 2018
Secretary - Vacant	
Manager - Vacant	
Attorney - John C. Kolb	
Administrator - Linda Loomis	

- This page intentionally left blank -

FINANCIAL SECTION

- This page intentionally left blank -



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Lower Minnesota River Watershed District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Lower Minnesota River Watershed District's 2015 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated April 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

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

Other Information

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

The individual fund financial statements and supplementary financial information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and supplementary financial information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Redpath and Company, Ltd.
REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

March 14, 2017

- This page intentionally left blank -

BASIC FINANCIAL STATEMENTS

LOWER MINNESOTA RIVER WATERSHED DISTRICT**STATEMENT OF NET POSITION****Statement 1**

December 31, 2016

With Comparative Totals For December 31, 2015

	Primary Government	
	Governmental Activities	
	2016	2015
Assets:		
Cash and investments	\$1,212,660	\$1,083,459
Property taxes receivable:		
Delinquent	31,545	28,804
Due from county	5,196	3,547
Accounts receivable	6,341	8,106
Due from other governments	110,400	500
Prepaid items	5,636	5,614
Capital assets - nondepreciable	256,167	256,167
Total assets	<u>1,627,945</u>	<u>1,386,197</u>
Liabilities:		
Accounts payable	86,724	44,569
Due to other governments	289,993	26,068
Unearned revenue	9,674	110,989
Total liabilities	<u>386,391</u>	<u>181,626</u>
Net position:		
Net investment in capital assets	256,167	256,167
Unrestricted	985,387	948,404
Total net position	<u>\$1,241,554</u>	<u>\$1,204,571</u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT

STATEMENT OF ACTIVITIES

Statement 2

For The Year Ended December 31, 2016

With Comparative Totals For The Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Totals	
					2016	2015
Primary government:						
Governmental activities:						
General government	\$296,864	\$ -	\$ -	\$ -	(\$296,864)	(\$247,263)
Projects	565,528	32,128	222,672	-	(310,728)	(235,911)
Total governmental activities	<u>\$862,392</u>	<u>\$32,128</u>	<u>\$222,672</u>	<u>\$0</u>	<u>(607,592)</u>	<u>(483,174)</u>
General revenues:						
Property taxes					616,681	611,626
Unrestricted investment earnings					26,684	8,249
Miscellaneous					1,210	1,056
Total general revenues					<u>644,575</u>	<u>620,931</u>
Change in net position					<u>36,983</u>	<u>137,757</u>
Net position - January 1, as originally reported					1,204,571	1,098,939
Prior period adjustment					-	(32,125)
Net position - January 1, as restated					<u>1,204,571</u>	<u>1,066,814</u>
Net position - December 31					<u>\$1,241,554</u>	<u>\$1,204,571</u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT

BALANCE SHEET

Statement 3

GOVERNMENTAL FUNDS

December 31, 2016

With Comparative Totals For December 31, 2015

	General Fund	Capital Project Fund	Total Governmental Funds	
		Nine Foot Channel Fund	2016	2015
Assets				
Cash and investments	\$1,385,790	\$ -	\$1,385,790	\$1,267,810
Taxes receivable:				
Delinquent	31,545	-	31,545	28,804
Due from county	5,196	-	5,196	3,547
Accounts receivable	2,559	3,782	6,341	8,106
Due from other governments	110,400	-	110,400	500
Prepaid items	5,636	-	5,636	5,614
Total assets	\$1,541,126	\$3,782	\$1,544,908	\$1,314,381
Liabilities, Deferred Inflows of Resources and Fund Balance				
Liabilities:				
Cash overdraft	\$ -	\$173,130	\$173,130	\$184,351
Accounts payable	65,267	21,457	86,724	44,569
Due to other governments	289,993	-	289,993	26,068
Unearned revenue	-	9,674	9,674	110,989
Total liabilities	355,260	204,261	559,521	365,977
Deferred inflows of resources:				
Unavailable revenue	31,545	3,782	35,327	32,586
Total deferred inflows of resources	31,545	3,782	35,327	32,586
Fund balance:				
Nonspendable	5,636	-	5,636	5,614
Assigned	130,938	-	130,938	281,378
Unassigned	1,017,747	(204,261)	813,486	628,826
Total fund balance	1,154,321	(204,261)	950,060	915,818
Total liabilities, deferred inflows of resources and fund balance	\$1,541,126	\$3,782	\$1,544,908	\$1,314,381
Fund balance reported above			\$950,060	\$915,818
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.			35,327	32,586
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			256,167	256,167
Net position of governmental activities			\$1,241,554	\$1,204,571

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT

STATEMENT OF REVENUE, EXPENDITURES AND

CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For The Year Ended December 31, 2016

With Comparative Totals For The Year Ended December 31, 2015

Statement 4

	General Fund	Capital Project	Total Governmental Funds	
		Fund	2016	2015
		Nine Foot Channel Fund		
Revenues:				
Property taxes - current and delinquent	\$564,825	\$49,115	\$613,940	\$609,548
Intergovernmental:				
Grants	222,672	-	222,672	6,617
Investment income	26,684	-	26,684	8,249
Dredge site income	-	32,128	32,128	44,957
Miscellaneous	1,210	-	1,210	1,056
Total revenues	<u>815,391</u>	<u>81,243</u>	<u>896,634</u>	<u>670,427</u>
Expenditures:				
Engineering services	21,425	47,184	68,609	16,346
Professional services	137,689	27,384	165,073	163,065
Insurance	7,225	1,806	9,031	8,816
Mileage and travel expenses	3,767	942	4,709	6,636
Office expense	25,138	5,778	30,916	29,362
Managers meeting expenses	5,470	1,368	6,838	8,838
509 planning/projects	178,433	-	178,433	150,513
Cooperative projects	387,095	-	387,095	120,377
Lobbying for funding	9,350	2,338	11,688	14,200
Total expenditures	<u>775,592</u>	<u>86,800</u>	<u>862,392</u>	<u>518,153</u>
Revenues over (under) expenditures	39,799	(5,557)	34,242	152,274
Fund balance (deficit) - January 1	<u>1,114,522</u>	<u>(198,704)</u>	<u>915,818</u>	<u>763,544</u>
Fund balance (deficit) - December 31	<u><u>\$1,154,321</u></u>	<u><u>(\$204,261)</u></u>	<u><u>\$950,060</u></u>	<u><u>\$915,818</u></u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

Statement 5

	<u>2016</u>	<u>2015</u>
Amounts reported for governmental activities in the Statement of Activities (Statement 2) are different because:		
Net changes in fund balance - total governmental funds (Statement 4)	\$34,242	\$152,274
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>2,741</u>	<u>(14,517)</u>
Change in net position of governmental activities (Statement 2)	<u><u>\$36,983</u></u>	<u><u>\$137,757</u></u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

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

The District reports the following major governmental funds:

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

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

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

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

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

D. BUDGETARY DATA

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

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

E. CASH AND INVESTMENTS

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

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

F. INVENTORIES

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

G. PROPERTY TAX REVENUE RECOGNITION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

delinquent taxes not collected by the District in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

H. CAPITAL ASSETS

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

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

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

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

I. FUND BALANCE CLASSIFICATIONS

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

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

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

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

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

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

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

J. INTERFUND TRANSACTIONS

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

K. USE OF ESTIMATES

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

L. PREPAID ITEMS

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

M. COMPARATIVE TOTALS

The basic financial statements, required supplementary information, individual fund financial statements and supplementary financial information include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

N. RECLASSIFICATIONS

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

O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from property taxes and from the sale of dredging materials.

P. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund statement of revenue, expenditures and changes in fund balance includes a reconciliation between *net changes in fund balance – total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds”. The details of this \$2,741 difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2015	(\$28,804)
At December 31, 2016	31,545
Unavailable revenue - dredging material:	
At December 31, 2015	(3,782)
At December 31, 2016	<u>3,782</u>
Net adjustments to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$2,741</u></u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Board or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes and treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- d) Unrated general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and
- f) Time deposits that are fully insured by any federal agency.

The District does not have deposits at December 31, 2016.

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

B. INVESTMENTS

Minnesota Statutes authorize the District to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

As of December 31, 2016, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Pooled with Carver County	N/A	\$1,212,660

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

C. INVESTMENT RISK

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

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

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

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

Custodial Credit Risk. For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investment securities that are in the possession of an outside party. As of December 31, 2016, all of the District’s investments were pooled with Carver County.

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2016 are as follows:

	<u>General Fund</u>
Delinquent property taxes	<u>\$26,200</u>
Total	<u><u>\$26,200</u></u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 4 UNAVAILABLE REVENUE

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

	<u>Property Taxes</u>	<u>Dredge Site Income</u>
General Fund	\$31,545	\$ -
Capital Projects Fund	-	3,782
Total	<u>\$31,545</u>	<u>\$3,782</u>

Note 5 CAPITAL ASSETS

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

	<u>Balance 12/31/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2016</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	<u>\$256,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$256,167</u>

Note 6 OPERATING LEASES

The District was obligated under a long-term operating lease for office equipment from Ricoh starting October 16, 2012, expiring October 16, 2017. The lease requires minimum monthly payments of \$216. In 2016, \$2,592 was paid under this lease agreement.

The following is a schedule of future minimum lease payments under operating leases:

<u>Year Ended December 31,</u>	<u>Office Equipment</u>
2017	<u>\$2,159</u>
Total Minimum Future Lease Payments	<u>\$2,159</u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 7 CONTINGENCIES

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

Note 8 FUND BALANCE - CLASSIFICATIONS

At December 31, 2016, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Nine Foot Channel Fund</u>	<u>Total</u>
Nonspendable:			
Prepaid items	\$5,636	\$ -	\$5,636
Assigned:			
Resource Plan Implementation	81,443	-	81,443
Gully Stabilization	44,495	-	44,495
Savage Fen Project	5,000	-	5,000
Unassigned	<u>1,017,747</u>	<u>(204,261)</u>	<u>813,486</u>
Total	<u>\$1,154,321</u>	<u>(\$204,261)</u>	<u>\$950,060</u>

Note 9 RISK MANAGEMENT

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

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

Note 10 RECENTLY ISSUED ACCOUNTING STANDARDS

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

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

Statement No. 80 *Blending Requirements for Certain Component Units.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81 *Irrevocable Split-Interest Agreements.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2016.

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

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

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

Note 11 PRIOR PERIOD ADJUSTMENTS

In 2014, the District recorded revenue related to the estimated amount of dredging material to be received and sold under an agreement that specified all dredging material was considered sold upon signing of the agreement. The District did not receive the amount of dredging material expected and therefore was unable to sell as much as was estimated. As a result, revenues on the government-wide Statement of Activities were overstated. Details of the prior period adjustment are as follows:

	<u>Governmental Activities</u>
Net position - January 1, 2015, as previously reported	\$1,098,939
Prior period adjustment:	
Overestimation of dredge site material sales revenue	<u>(32,125)</u>
Net position - January 1, 2015, as restated	<u><u>\$1,066,814</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

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

Statement 6

For The Year Ended December 31, 2016

With Comparative Actual Amounts For The Year Ended December 31, 2015

	2016			Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Revenues:					
Property taxes - current and delinquent	\$575,000	\$575,000	\$564,825	(\$10,175)	\$560,391
Intergovernmental:					
Grants	-	-	222,672	222,672	6,617
Investment income	-	-	26,684	26,684	8,249
Miscellaneous	-	-	1,210	1,210	1,056
Total revenues	<u>575,000</u>	<u>575,000</u>	<u>815,391</u>	<u>240,391</u>	<u>576,313</u>
Expenditures:					
Engineering services	11,410	11,410	21,425	(10,015)	15,518
Professional services	127,656	127,656	137,689	(10,033)	135,298
Insurance	7,200	7,200	7,225	(25)	7,053
Mileage and travel expenses	4,800	4,800	3,767	1,033	4,070
Office expense	29,795	29,795	25,138	4,657	23,924
Managers meeting expenses	10,000	10,000	5,470	4,530	7,071
509 planning/projects	595,000	595,000	178,433	416,567	150,513
Newsletter	851	851	-	851	-
Cooperative projects	50,000	50,000	387,095	(337,095)	120,377
Lobbying for funding	12,000	12,000	9,350	2,650	14,200
Total expenditures	<u>848,712</u>	<u>848,712</u>	<u>775,592</u>	<u>73,120</u>	<u>478,024</u>
Revenue over (under) expenditures	<u>(\$273,712)</u>	<u>(\$273,712)</u>	39,799	<u>\$313,511</u>	98,289
Fund balance - January 1			1,114,522		1,016,233
Fund balance - December 31			<u>\$1,154,321</u>		<u>\$1,114,522</u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
December 31, 2016

Note A **BUDGETS**

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

- This page intentionally left blank -

INDIVIDUAL FUND FINANCIAL STATEMENTS

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
GENERAL FUND
December 31, 2016
With Comparative Totals For December 31, 2015

Statement 7

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and investments	\$1,385,790	\$1,267,810
Taxes receivable:		
Delinquent	31,545	28,804
Due from county	5,196	3,547
Accounts receivable	2,559	4,324
Due from other governments	110,400	500
Prepaid items	5,636	5,614
Total assets	<u>\$1,541,126</u>	<u>\$1,310,599</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities:		
Accounts payable	\$65,267	\$33,433
Due to other governments	289,993	26,068
Unearned revenue	-	107,772
Total liabilities	<u>355,260</u>	<u>167,273</u>
Deferred inflows of resources:		
Unavailable revenue	31,545	28,804
Total deferred inflows of resources	<u>31,545</u>	<u>28,804</u>
Fund balance:		
Nonspendable	5,636	5,614
Assigned	130,938	281,378
Unassigned	1,017,747	827,530
Total fund balance	<u>1,154,321</u>	<u>1,114,522</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$1,541,126</u>	<u>\$1,310,599</u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

Statement 8

	<u>2016</u>	<u>2015</u>
Revenues:		
Property taxes - current and delinquent	\$564,825	\$560,391
Intergovernmental:		
Grants	222,672	6,617
Investment income	26,684	8,249
Miscellaneous	1,210	1,056
Total revenues	<u>815,391</u>	<u>576,313</u>
Expenditures:		
Engineering services	21,425	15,518
Professional services	137,689	135,298
Insurance	7,225	7,053
Mileage and travel expenses	3,767	4,070
Office expense	25,138	23,924
Managers meeting expenses	5,470	7,071
509 planning/projects	178,433	150,513
Cooperative projects	387,095	120,377
Lobbying for funding	9,350	14,200
Total expenditures	<u>775,592</u>	<u>478,024</u>
Revenue over expenditures	39,799	98,289
Fund balance - January 1	<u>1,114,522</u>	<u>1,016,233</u>
Fund balance - December 31	<u>\$1,154,321</u>	<u>\$1,114,522</u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
CAPITAL PROJECT FUND - NINE FOOT CHANNEL FUND
December 31, 2016
With Comparative Totals For December 31, 2015

Statement 9

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Accounts receivable	<u>\$3,782</u>	<u>\$3,782</u>
Total assets	<u><u>\$3,782</u></u>	<u><u>\$3,782</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities:		
Cash overdraft	\$173,130	\$184,351
Accounts payable	21,457	11,136
Unearned revenue	<u>9,674</u>	<u>3,217</u>
Total liabilities	<u>204,261</u>	<u>198,704</u>
Deferred inflows of resources:		
Unavailable revenue	<u>3,782</u>	<u>3,782</u>
Total deferred inflows of resources	<u>3,782</u>	<u>3,782</u>
Fund balance:		
Unassigned	<u>(204,261)</u>	<u>(198,704)</u>
Total fund balance	<u>(204,261)</u>	<u>(198,704)</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$3,782</u></u>	<u><u>\$3,782</u></u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
CAPITAL PROJECT FUND - NINE FOOT CHANNEL FUND
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

Statement 10

	<u>2016</u>	<u>2015</u>
Revenues:		
Property taxes current	\$49,115	\$49,157
Dredge site income	32,128	44,957
Total revenues	<u>81,243</u>	<u>94,114</u>
Expenditures:		
Engineering services	47,184	828
Professional services	27,384	27,767
Insurance	1,806	1,763
Mileage and travel expenses	942	2,566
Office expense	5,778	5,438
Managers meeting expenses	1,368	1,767
Lobbying for funding	2,338	-
Total expenditures	<u>86,800</u>	<u>40,129</u>
Revenue over (under) expenditures	(5,557)	53,985
Fund balance (deficit) - January 1	<u>(198,704)</u>	<u>(252,689)</u>
Fund balance (deficit) - December 31	<u><u>(\$204,261)</u></u>	<u><u>(\$198,704)</u></u>

- This page intentionally left blank -

SUPPLEMENTARY FINANCIAL INFORMATION

LOWER MINNESOTA RIVER WATERSHED DISTRICT
SCHEDULE OF 509 PLANNING/PROJECT EXPENDITURES
 December 31, 2016
 With Comparative Totals For December 31, 2015

Exhibit 1

	2016	2015
Expenditures:		
Resource plan implementation	\$ -	\$46,058
Riley creek cooperative project	41,852	-
Eagle creek	2,064	8,015
Monitoring	39,040	23,522
Watershed management plan	34,017	21,664
Public education	40,458	2,400
Cost share program	3,844	4,839
East Chaska creek	1,872	19,420
Dred Scott water reuse project	-	21,053
Municipal project reviews	15,286	3,542
Total expenditures	\$178,433	\$150,513

OTHER INFORMATION - UNAUDITED

LOWER MINNESOTA RIVER WATERSHED DISTRICT

SCHEDULE OF CUMULATIVE EXPENDITURES

December 31, 2016

Table 1

	Cumulative Total Through 2015	2016 Activity	Cumulative Total Through 2016
Expenditures:			
General and administrative expenses	\$7,474,839	\$209,497	\$7,684,336
Special projects:			
Assumption Creek	8,642	-	8,642
Nichols Fen / Harnack / Kennealy Creeks	3,330	-	3,330
City of Burnsville	305	-	305
Chaska	1,231	-	1,231
Seminary Fen	41,504	368,256	409,760
Met Council	771	-	771
Chaska Creek	56,093	-	56,093
Chaska Lanes	5,219	-	5,219
Willow Creek	37,716	-	37,716
Groundwater monitoring	165,632	39,040	204,672
LMR model	51,105	-	51,105
Savage Fen	21,449	-	21,449
Fort Snelling State Park roadway relocation	60,023	-	60,023
Office of water resource and research	36,200	-	36,200
Mohr Park - Bloomington well project	11,956	-	11,956
Aerial photos	6,100	-	6,100
East Chaska Creek diversion	40,645	1,872	42,517
Special study	4,968	-	4,968
Legislative committee hearing	7,056	-	7,056
Flood plain - regulations and litigation	15,064	-	15,064
Cooperative projects with municipalities	1,339,258	-	1,339,258
Contingency reserve	10,884	-	10,884
State flood plain analysis	5,150	-	5,150
Savage - Credit River	24,465	-	24,465
Department of Natural Resources - Rice Lake	140	-	140
Off Channel fleeting	9,849	-	9,849
Deans Lake	25,797	-	25,797
Environmental assessment for McGowan Barge	1,357	-	1,357
Scott County - Historical Park	5,000	-	5,000
Scott County - Murphy's Landing	60,430	-	60,430
Prior Lake - Spring Lake	21,167	-	21,167
Casperson landing cooperative project	44,874	-	44,874
River bank stabilization	68,461	3,198	71,659
General benefit projects	773	-	773
Metro Council gauging station	46,802	-	46,802
55/62 intersection	6,538	-	6,538
Eagle Creek	108,138	2,064	110,202
Data collection	33,700	-	33,700
Resource plan implementation	91,222	-	91,222
Eden Prairie SWMP	1,554	-	1,554
Nichols Fen	4,949	-	4,949
Courthouse - firearms - clayhole	32,649	-	32,649
Cooperative project contingency reserve	33,210	-	33,210
Trout stream	904	-	904

LOWER MINNESOTA RIVER WATERSHED DISTRICT
SCHEDULE OF CUMULATIVE EXPENDITURES
December 31, 2016

Table 1

	Cumulative Total Through 2015	2016 Activity	Cumulative Total Through 2016
Expenditures (con't):			
BWSR Challenge Grant engineer	\$6,106	\$ -	\$6,106
Rainwater garden	35,000	-	35,000
Gully erosion inventory	7,000	-	7,000
Dakota County Fen	2,778	-	2,778
Miscellaneous	14,775	15,286	30,061
509 Plan general	27,641	-	27,641
Local management plans	7,812	864	8,676
Management plan	269,180	57,010	326,190
Chaska Lakes	12,171	-	12,171
Watershed assistance	7,881	-	7,881
Natural resources map	276	-	276
Public education	15,297	45,778	61,075
Strategic Resource evaluation	79,771	-	79,771
Cost share program	26,769	3,844	30,613
USGS	50,127	15,641	65,768
Long Meadow Outfall	100,000	-	100,000
Gully stabilization	875	-	875
Dred Scott Water Reuse Project	21,053	-	21,053
Nine Foot Channel	19,559	58,096	77,655
Riley Creek	46,163	41,946	88,109
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u><u>\$10,777,353</u></u>	<u><u>\$862,392</u></u>	<u><u>\$11,639,745</u></u>

- This page intentionally left blank -

OTHER REPORTS

- This page intentionally left blank -



REPORT ON INTERNAL CONTROL

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

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Lower Minnesota River Watershed District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lower Minnesota River Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lower Minnesota River Watershed District's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Redpath and Company, Ltd.
REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

March 14, 2017

- This page intentionally left blank -



MINNESOTA LEGAL COMPLIANCE REPORT

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

We have audited in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of and for the year ended December 31, 2016 and the related notes to the financial statements, and have issued our report thereon dated March 14, 2017.

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

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

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

Redpath and Company, Ltd.
REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

March 14, 2017

- This page intentionally left blank -