



# *Bois de Sioux* Watershed District

## **Calendar Year 2017 Annual Activity and Audit Report**



**BOIS DE SIOUX WATERSHED DISTRICT  
ANNUAL REPORT  
CALENDAR YEAR 2017**

**BOARD OF MANAGERS**

<b>NAME</b>	<b>COUNTY</b>	<b>PHONE</b>	<b>TERM EXPIRES</b>	<b>OFFICERS</b>
<i>Allen Wold</i>	Traverse	320-563-8743	2020	Vice President
<i>Doug Dahlen</i>	Grant	320-766-5794	2019	
<i>Jerome Deal</i>	Traverse	320-563-8377	2019	
<i>Vacated August 2016</i>	Otter Tail	218-739-4561		
<i>Linda Vavra</i>	Stevens	320-677-2586	2019	President
<i>Scott Gillespie</i>	Big Stone	320-748-7149	2018	Secretary
<i>John Kapphahn</i>	Grant	218-685-4604	2020	Treasurer
<i>Jason Beyer</i>	Wilkin	218-651-0135	2018	
<i>Steven Schmidt</i>	Traverse	320-563-8104	2018	

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**Michelle Swenson, Administrator**  
**Troy Fridgen, Engineer Technician**  
**Lacey Gilsdorf, Office Manager**

Resigned in August; last day September 2017  
Began January 2017  
Began December 2017



**DISTRICT OFFICE**

**Bois de Sioux Watershed District**

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## SECTION ONE - GENERAL FUND

*Project Status and Business Transacted*

### 2017 Board Meetings

*January 26, 2017*

*February 16, 2017*

*March 16, 2017*

*April 20, 2017*

*May 18, 2017*

*June 15, 2017*

*June 29, 2017*

*July 20, 2017*

*August 17, 2017*

*September 7, 2017*

*September 21, 2017*

*October 2, 2017*

*October 9, 2017*

*October 10, 2017*

*October 19, 2017*

*November 2, 2017*

*November 16, 2017*

*December 13, 2017*

The Bois de Sioux Watershed District Board of Managers meets regularly on the third Thursday of each month starting at 8:00 a.m. April through October and at 9:00 a.m. November through March.

### Background

The Bois de Sioux Watershed District was established on May 11, 1988 by order of the Minnesota Board of Water and Soil Resources (BWSR). The district represents an area of about 1,420 square miles and includes Traverse County (38%), Grant County (27%), Wilkin County (14%), Stevens County (10%), Big Stone County (7%) and Otter Tail County (4%).

The district includes the drainage basins of Lake Traverse and the Bois de Sioux River within the State of Minnesota. The major tributaries are the Mustinka River and numerous creeks in the south and east and the Rabbit River to the north.

### Mission Statement

To provide coordinated water resource management over the entire hydrologic basin of the Bois de Sioux River lying within the State of Minnesota.

### Board Activity

The board held twelve (12) regular monthly and six (6) special meetings in 2017. Staff meetings were also conducted for purposes of reviewing issues identified at the board meetings and to meet with landowner groups in an informal setting to discuss legal ditch repairs, permit activity, and other surface water related problems.

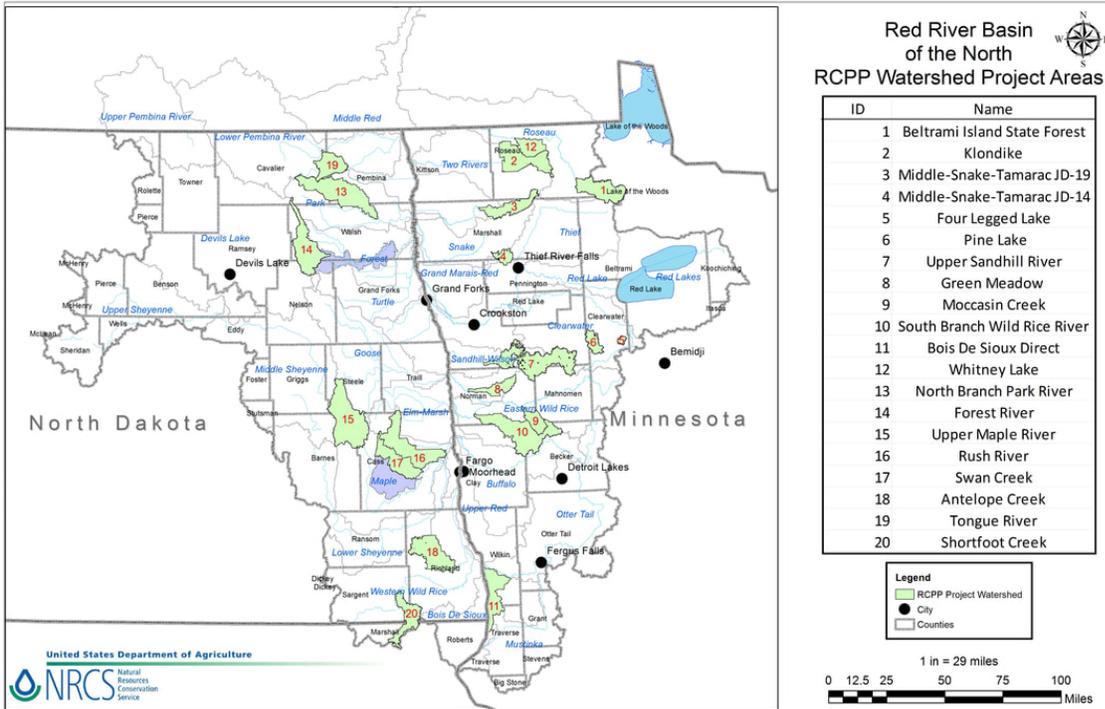
### Red River Retention Authority

In 2010, the Red River Retention Authority (RRRA) was formed through a joint powers agreement between the Red River Watershed Management Board (RRWMB) in Minnesota.

The Red River Retention Authority is comprised of members of the Red River Joint Water Resource District, a North Dakota political subdivision, and the Red River Watershed Management Board, a Minnesota political subdivision. The primary objective of the Red River Retention Authority is to ensure joint, comprehensive, and strategic coordination of retention projects in the Red River of the North watershed and facilitating implementation

and construction of retention in the Red River Valley. The Authority and its members will aggressively pursue federal dollars to off-set local costs for retention projects, and will serve as an advocate for local projects in the federal regulatory process. Our Directors seek basin-wide solutions to realize effective flood protection and flood damage reduction, accomplished on a strategic project-by-project basis.

*Jerome Deal served as a member to the RRRRA representing the RRWMB.*



### Red River Basin Flood Damage Reduction Work Group

The Flood Damage Reduction Work Group (FDRWG or Work Group) was originally formed in 1998 to address issues related to the development of flood damage reduction projects in that portion of the Red River of the North Basin in Minnesota.

While recognizing that the ultimate solutions to the flood damage and natural resource problems in the Red River Basin will take a concerted effort from people throughout the Basin, the Work Group was formed to address issues that are unique to Minnesota. However, the Work Group maintains extensive communications and coordination with jurisdictions and organizations throughout the Basin. For example, in 2005, two members of the Flood Damage Reduction Work Group also served as chairpersons for other Basin-wide organizations.

The Flood Damage Reduction Work Group is not a legally constituted body and has no regulatory or funding authority. It is an ad hoc group of individuals representing federal, state and local governments, and non-governmental organizations that meet voluntarily under a set of mutually agreed upon ground rules. The Work Group meets for the purpose of coordinating the implementation of the 1998 Mediation Agreement and making recommendations to other authorities and jurisdictions within the Red River Basin to that effect.

*Jerome Deal served as a member to the FDRWG representing the RRWMB.*

## Minnesota Association of Watershed Districts

The Minnesota Association of Watershed Districts (MAWD) provides educational opportunities, information and training for watershed district managers and staff through yearly tours, meetings and regular communication.

MAWD represents 45 watershed districts in the state. The watershed districts are partners in water protection and management.

*Jerome Deal continued to serve as a member representing Region I for the Minnesota Association of Watershed Districts Board of Directors through November 30, 2017. Linda Vavra began her term as a member representing Region I for the Minnesota Association of Watershed Districts Board of Directors on December 2, 2017.*

### BdSWD Advisory Committee\*

Chair Ron Staples	Drew Mosburg
Terry Amundson	Bob Perry
Jay Backer	Beau Peterson
Scott Bauer	Doyle Sperr
Duane Duin	Mark Summer
Dean Frisch	Linda Vavra
Doug Jahnke	John Walkup
Jack Lampert	Vernell Wagner
Tom Monson	

\*It is not clear from the transition from Administrator Roeschlein to Swenson, which committee members continued to serve on the Advisory Committee, who was replaced, and who the replacements were.

The Advisory Committee met on July 14, 2017. Committee members met with Engineer James Guler, and received updates on North Ottawa, Redpath, Doran Creek, TCD #52, WCD #8 and WCD #10. They were notified that a grant has been received for development of a 1 Watershed 1 Plan.

### 2017 Other Activities

- **Backup Systems:** Internal and external backup computer storage systems were purchased and implemented (October 19, 2017).
- **BdSWD Personnel Manual:** The manual was amended to include: a Claims/Payments Policy, a Travel Expenses Policy, a Social Media Policy (December 13, 2017).
- **BdSWD Policy & Procedures Manual:** Revisions were made to the District's Tile Pump and Control Structures Policy (December 13, 2017).
- **Board Manager Resignation:** Board Managers recognized the resignation of Kurt Erlandson (July 20, 2017).
- **BWSR Assessment:** Results of BWSR's assessment were presented to Board Managers (March 16, 2017).
- **Forensic Audit:** A forensic audit with CliftonLarsonAllen was approved, to evaluate accounting records upon staff turnover (November 16, 2017).
- **1W1Plan:** The required 13 entities signed Memorandum of Agreements, with the intent to contract a consultant to complete a Comprehensive Watershed Management Plan (December 13, 2017).

## SECTION TWO - RRWMB FUND

### *Project Status and Business Transacted*

The Red River Watershed Management Board's jurisdiction and authority encompasses the area managed by the individual watershed districts that have membership on the Board. The board continued with their membership to the Red River Watershed Management Board.

Eight watershed districts within the Red River Valley form the RRWMB including the Joe River, Two Rivers, Roseau River, Middle-Snake-Tamarac Rivers, Red Lake, Sand Hill River, Wild Rice, and Bois de Sioux.

The RRWMB was created by an act of the Minnesota legislature in 1976 to provide an organization with a basin-wide perspective concerning flooding. Historically, the activities of the RRWMB have centered on flood control. Previous efforts in dealing with the flooding problem within the Red River Basin consisted of single projects within a localized area, planned with primary regard to local benefits. The RRWMB actively promotes a basin-wide perspective for water management.

*Jerome Deal was selected as the Bois de Sioux Watershed District representative with Allen Wold serving as the alternate. Terms expire 12/31/18.*

### **Red River Watershed Management Board Levy**

Per the minutes of the July 18, 2017, RRWMB Board Meeting – effective for the 2018 certified tax levy:

Manager Wilkens stated that now land values have decreased ~ 25%. Manager Deal noted that although their land values have decreased somewhat, the levy is collected a year behind and the board must project for the future. R. Harnack suggested increasing the levy to 100% to provide for adequate project funding. Manager Carriere added that their Watershed District needs to levy at 100% to account for the state land located within their District that isn't included in the levy calculation.

Motion by Manager Ose to increase the levy to 100% (.0004836), Seconded by Manager Carriere, discussion followed.

Manager Kleinwachter noted that within his Watershed District there is considerable discussion about the RRWMB levy and how these funds are utilized. Manager Anderson referred to projects progressing in the Two Rivers WD and noted the importance of receiving RRWMB funds for land acquisition. Manager Holmvik explained that the consequences of reducing the levy will be realized when the board authorizes an increase to 100%. Manager Deal concurred but noted that at the time the levy was reduced it was in response to a decrease in land valuation. As there was no further discussion, a roll call vote was taken. Managers Carriere, Anderson, Ose, Hanson, Holmvik and Deal voted yea, Manager Kleinwachter voted nay, motion carried. Manager Finney abstained.

## SECTION THREE – CONSTRUCTION FUND

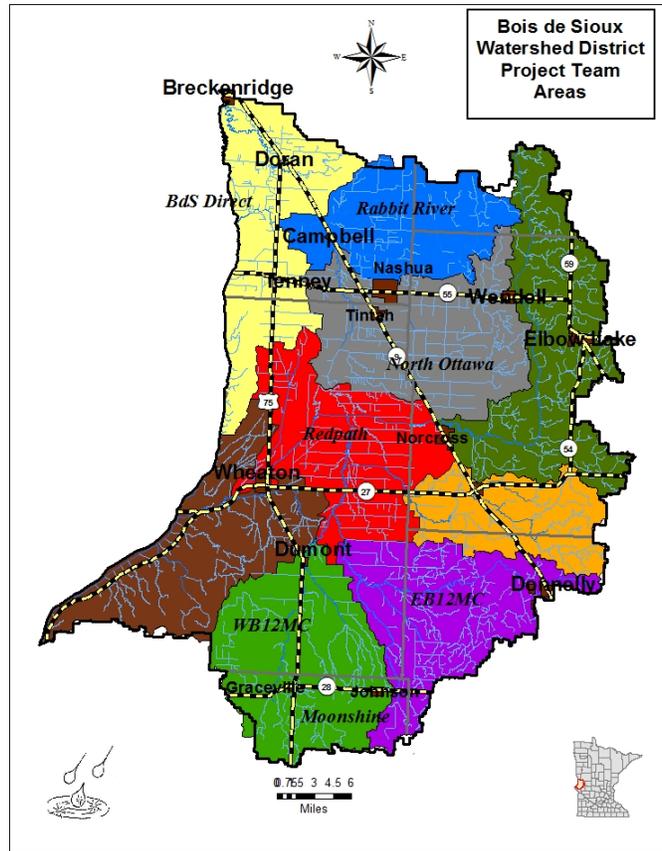
*Project Status and Business Transacted*

### Project Teams

The Bois de Sioux Watershed District is a subwatershed of the Red River of the North basin. In December of 1998, many agencies and organizations signed the Red River Basin Mediation Agreement which outlined how projects will be developed in the Red River Valley in Minnesota. That agreement states that the districts within the basin will attempt to balance each project design with Flood Damage Reduction (FDR) benefits and Natural Resource Enhancements (NRE). Part of that process requires that each district establish a Project Team for each project containing members from local, regional, state and federal agencies along with environmental organizations and local landowners.

The Bois de Sioux Watershed District administers eight (8) Project Teams as follows:

1. North Ottawa
2. Redpath
3. East Branch Twelve Mile Creek
4. West Branch Twelve Mile Creek
5. Moonshine
6. Rabbit River
7. Bois de Sioux Direct
8. TCD #52



With the exception of the Moonshine PT and the TCD #52 PT, they are organized on a sub-watershed alignment as shown on the following map.

### Bylaws and Regulations

The Bois de Sioux Watershed District has adopted rules to control watershed activities as required by M.S. 103D.341. Bois de Sioux Watershed District rules lay out a permit process which land owners must follow. Permits are required for any type of work related to new ditching, improved ditching, drainage from one sub-watershed to the other, construction, alteration or removal of any dike, reservoir work, land forming, wetland drainage, work within natural drainage ways, lakes, wetlands and other abutting land and drainage structures. Land owners should contact the Bois de Sioux Watershed District Office for assistance and direction in filing permits.

*For a copy of the Policies and Procedures Manual of the Bois de Sioux Watershed District, please contact the Bois de Sioux Watershed District Office or go to [www.bdswd.com](http://www.bdswd.com) Permit applications can also be found online at this address.*

Any land owner that proceeds to do work without a permit, when the project requires one, is subject to a minimum

of \$250 After-The Fact Permit Fee plus any Engineering/Attorney Fees incurred in the processing of said permit.

*There were a total of 88 permits processed in 2017.*

The Drainage Committee of the BdSWD continued to review and revise permit policies in 2017 as issues were identified. The policies and application form can be found online or by contacting the District Office.

## **2017 Projects and Programs**

### **2017 Projects and Programs: Distributed Storage Strategy**

In 2012, the BdSWD completed a 20% Flow Reduction Strategy for the watershed. This study focused on placing storage within the Bois de Sioux Watershed District. A total of 26 sites or potential projects were identified within the District. The storage was placed in the Lake Traverse and Rabbit River basins. Site selection was based primarily on the need for local flood control as flooding problems are widespread in the Bois de Sioux Watershed District.

The Bois de Sioux Watershed District prioritizes development of specific impoundment projects based on need, local support, budget, and importance of other watershed projects and programs that require the time of district staff.

### **2017 Projects and Programs: North Ottawa Impoundment Project**

In June of 2017, a press event was held, with coordinated tours of the North Ottawa Impoundment and a live radio broadcast of the Joel Heitkamp show.

The Bois de Sioux / North Ottawa Joint Powers Agreement between the Department of Natural Resources and the Bois de Sioux Watershed District Office expired December 31, 2017. In advance of the expiration, members of the Bois de Sioux Watershed Board & Consulting Professionals met with members of the Minnesota Department of Natural Resources on October 2nd to discuss management of the cells, at which the Bois de Sioux Watershed stated its intent to lease six of the eight

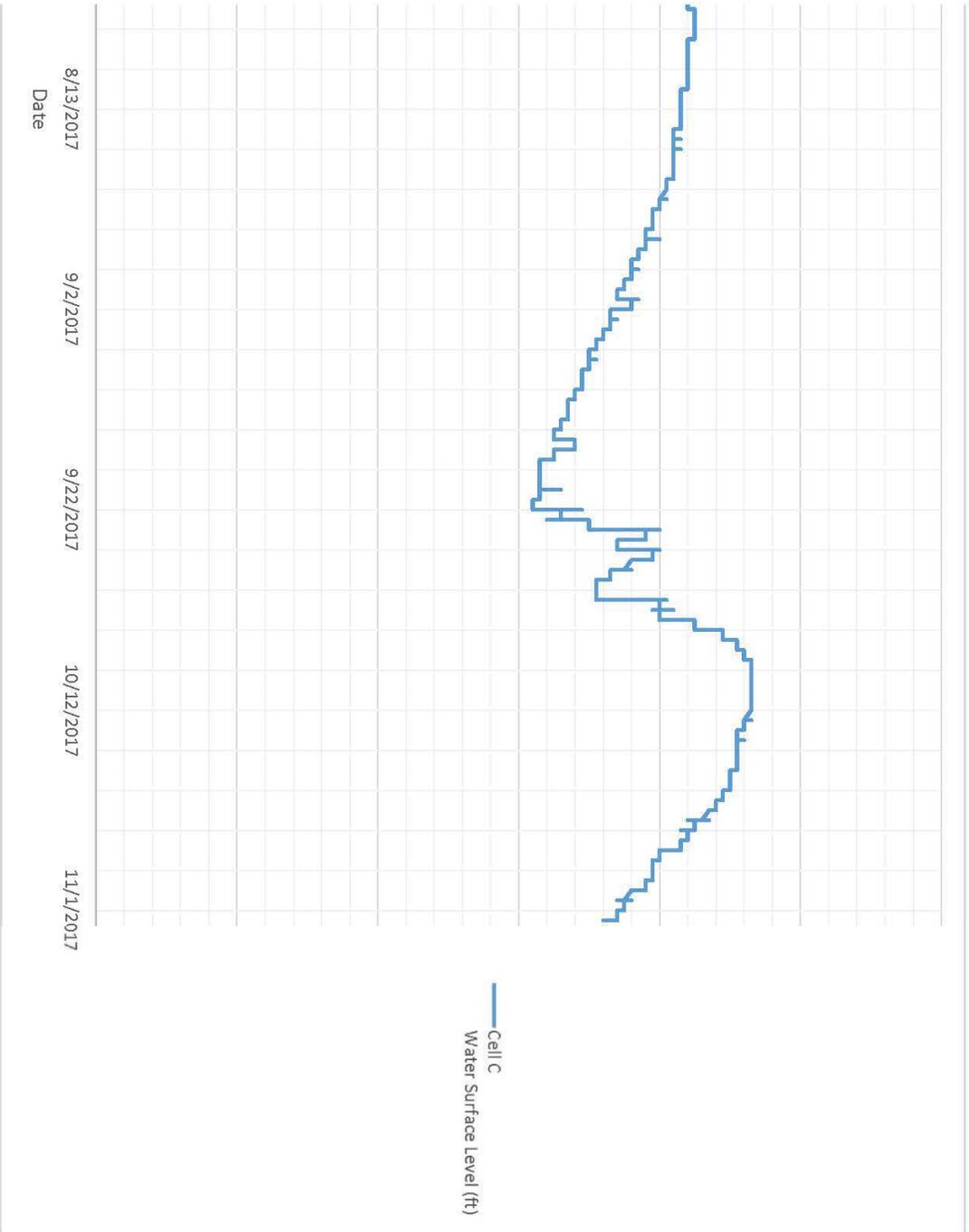


cells for agriculture in 2018. This was done because of need to generate revenue for the higher-than-estimated increased maintenance costs in recent years. It is also the view of the Bois de Sioux Watershed District that agricultural crops and management strategies can be consistent with natural resources goals. In a letter in December of 2017, the Department of Natural Resources responded that only two cells should be leased. No new joint powers agreement was implemented in 2017.

WSN did provide a project close-out Operations and Maintenance Manual; it was not approved by the board (June 15, 2017).

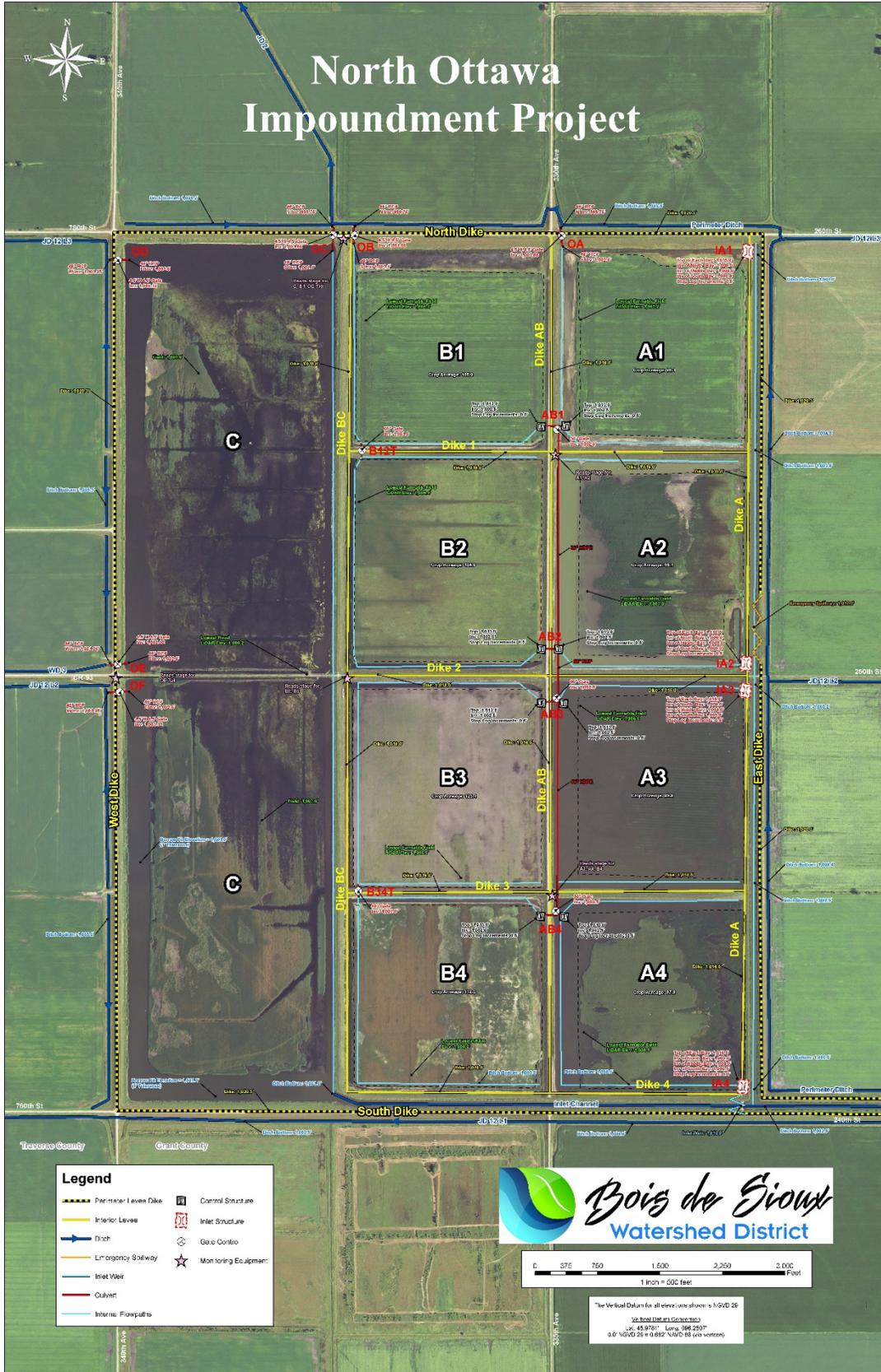
Two miles of North Ottawa collections channels were excavated/cleaned-out, and spoils were spread. The work was completed by Wagner Company at a cost of \$11,375. One and a half miles of roads were graveled, and several “No Unauthorized Entry” signs were installed. Spoil to be spread and seeding to take place in the spring of 2018.

# 2017 Projects and Programs: North Ottawa Impoundment Project Water Levels



# North Ottawa Impoundment Project

2017 Projects and Programs: North Ottawa Impoundment Project Acres





## **2017 Projects and Programs: North Ottawa Nutrient Capture and Biomass Harvesting Project**

Aaron Ostlund, who had been coordinating the Red River Basin Commission North Ottawa Nutrient Capture and Biomass Harvesting Project, left the Red River Basin Commission. The project was then left with an uncertain future, occupying Cells A4 and B4. Cattail harvest was delayed due to requests by the Department of Natural Resource Representatives; when harvest could begin, seeds from the cattails plugged the harvesting equipment; harvesting the cattails was not successful. Lance Yohe visited the board October 19, 2017 and requested that the research continue. No board action was taken.

## **2017 Projects and Programs: Moonshine Lakebed Restoration Project**

The BdSWD continues to work to acquire necessary lands for this project area from willing sellers. Until such time that the necessary land rights are obtained for this project, no further project development will take place. The Wetland Banking program was discussed in regard to this lakebed restoration project but decided to not utilize this system because of the way the project is being pursued.

## **2017 Projects and Programs: Moonshine 24/13**

Land owned by the BdSWD was leased for farming again in 2017. In 2016, the land owned by the BdSWD in Moonshine Twp. was renewed for lease for the crop year 2017 (December 15, 2016).

No progress has been made to date with establishing an impoundment in this area. It is the board's intention to continue to work to establish a small impoundment on this land and land adjacent once land rights issues are worked out with the neighboring landowners. Neighboring landowners have been contacted and talks continue.

## **2017 Projects and Programs: River Watch Program**

The River Watch (RW) program provides hands-on watershed science education, promotes water resources stewardship, and introduces high school participants to career opportunities in watershed science. The program focuses on education through water quality monitoring, macroinvertebrate and mussel sampling, snow and frost depth studies, and river geomorphology. Campbell-Tintah (C-T), and Herman-Norcross. In 2017, Campbell-Tintah was the most active. The Bois de Sioux Watershed District continues to support the RW program and valuable water quality data is obtained within the watershed as a result of this project.

On February 20, 2017, Campbell-Tintah sophomores Luke Goettle and Micah Christensen represented the River Watch program for funding at the House Legacy Finance meeting and also presented before the Senate. Below are links to a video of the House proceeding and an audio of the Senate hearing. They presented first in the video, but are about an hour into the Senate audio.

<https://www.youtube.com/watch?v=7MXI47RTDiU&feature=youtu.be>  
[http://mnsenate.granicus.com/MediaPlayer.php?view\\_id=2&clip\\_id=1290](http://mnsenate.granicus.com/MediaPlayer.php?view_id=2&clip_id=1290)

On March 15, 2017, the Campbell-Tintah team attended the International Water Institute at the University of Minnesota, Crookston. Their keynote speaker for the day was Mike Jacobs, editor of the Grand Forks Herald during the Red River flood of 1997.

The team presented their poster, which can be viewed at:

<https://drive.google.com/drive/folders/1NXRB2GRoUYgTWSx1NuhJvvd1vsJU0-iW>

On December 1, 2017, the team was awarded with the MAWD Program of the Year Award. Recognition was given to the team during MAWD's annual conference banquet at Arrowwood in Alexandria, Minnesota.

The BDSWD provides support for the program by covering costs of substitute teachers, transportation, and students'

lunches on sampling days and when students attend the RW Forum and the water quality training/certification session. Laboratory analyses of water samples have also been covered if a special research project is undertaken by a RW team or student. Financial support is also provided by the Red River Watershed Management Board (RRWMB) and the Minnesota Clean Water Legacy Fund. Coordination and implementation support is provided by the International Water Institute.

This partnership with the watershed district and area schools contributes to the education of the students, promotes good stewardship of our water resources and provides valuable data to area water resource managers and agencies.

**2017 Projects and Programs: Soil & Water Conservation District CRP Incentive**

The Bois de Sioux Watershed District Overall Plan identifies wetland restoration and buffer strip/ permanent grass installation as an action item identified to reduce runoff, increase infiltration, and improve habitat.

*In 2017, the district provided financial assistance to Traverse and Grant SWCD's for CRP acres planted, in the Bois de Sioux Watershed, thru calendar year 2016. The breakdown is as follows:*

SWCD	Acres	Payment
Traverse	2,907.94	\$20,000.00
Grant	1,677.64	\$16,774.60
Ottertail	0.0	\$0.00
Stevens	0.0	\$0.00
Big Stone	0.0	\$0.00
Wilkin	0.0	\$0.00
<b>TOTAL</b>	<b>4,585.58</b>	<b>\$36,774.60</b>

**2017 Projects and Programs: 103F.048 Buffers**

The Bois de Sioux Watershed Board Managers approved jurisdiction for state mandated public ditch buffers (June 15, 2017). Throughout the subsequent months, Board Managers reviewed county ordinances and the BWSR model template. Buffers on public ditches are required as of November 1, 2018.

**2017 Projects and Programs: Land Acquisition**

Several parcels, related to the future Redpath Impoundment Project, were added in 2017. These purchases were for the proposed bypass channel and inlet channel. At this time, there are a total of four remaining parcels that need to be acquired for the Redpath project. The four remaining parcels include a 160 acre tract, a 45 acre tract, a 12 acre tract, and a 1 acre tract.

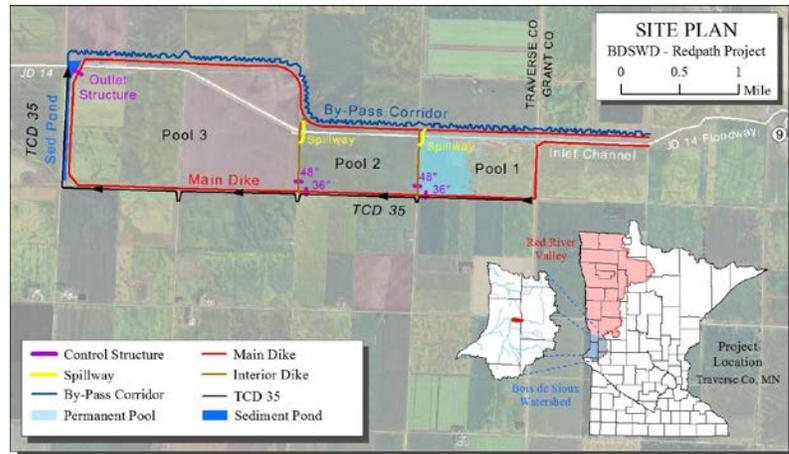
Construction and permanent easements were acquired for retrofit construction and buffers on TCD #37, at a cost of \$191,803.

## 2017 Projects and Programs: Redpath Projects

In 2008, the Board of Managers established the Redpath Project Team and charged them with the task of identifying the problems in the area and reviewing alternative solutions. The team did their work in the first 8 months of the year and recommended a project solution to the Board in August 2008.

The impoundment dike on the south side will be constructed on the section lines.

Traverse County Ditch 35 (TCD35) will be relocated south of its current location to facilitate construction of the dike. The west dike will be constructed approximately 350' east of CSAH13 to allow room for TCD35 and a sedimentation pond between the dike and road. The north dike of the impoundment will be built north of JD14 and a new By-pass Corridor will be constructed north of this dike. From the county line east one mile, dikes will be built on either side of JD14 to form a diked inlet from the inlet structure to the impoundment. A floodway will be constructed along the existing JD14 channel to provide improved conveyance from the inlet structure to the impoundment pool areas.



The impoundment is divided into 3 pools as shown in Figure 6. The inlet structure will allow Pool 1 to fluctuate at river level. As the pool rises, some of the JD14 flow will bypass the impoundment using the new channel within the By-pass Corridor. Increased flows from the upstream drainage area will be split between the By-pass Corridor floodway and the impoundment. A culvert at the entrance to the By-pass Corridor will restrict the amount of flow that takes that route. The By-pass Corridor will extend from the inlet structure, follow along the north dike and outlet back into JD14 at the northwest 10 corner of the impoundment. Flows into the impoundment will be from Pool 1 to Pool 2 to Pool 3 via overflow spillways and ultimately through the outlet structure to JD14.

Support for this project appears to be very widespread, from local landowners to the federal agency level.

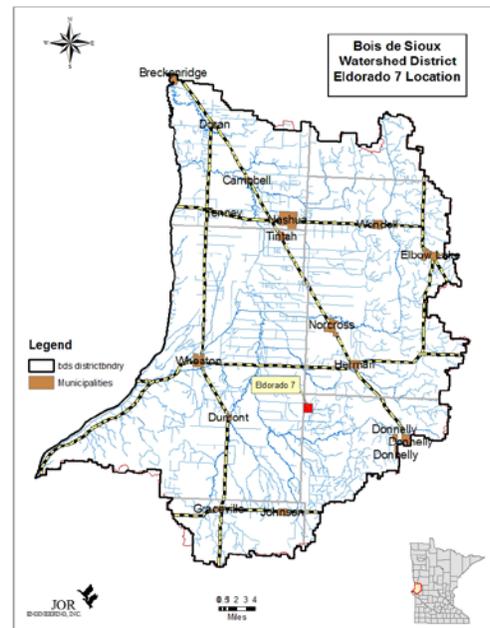
The NW corner of Section 21 is the only parcel remaining to be acquired for the impoundment footprint with two additional parcels needed for the TCD #35 area and one remaining parcel along the north side to accommodate the by-pass corridor.

In 2014, the Environmental Assessment Worksheet (EAW) was completed. Staff have continued to work through the necessary steps to obtain a USCOE 404 and 408 permit along with the State WCA permit.

The Lessards Heritage LHOSC grant, for the Redpath Impoundment Project, was extended for three years (October 19, 2017).

## 2017 Projects and Programs: East Branch Twelve Mile Creek Project/Eldorado 7

In December 2005, the team made a recommendation to the BdSWD Board that there needed to be about 3,300 acre feet of storage implemented in this sub-watershed. There were a few suggested locations for impoundments to provide a part of that storage. This project team is currently inactive due to BdSWD prioritization.



## 2017 Projects and Programs: Big Lake

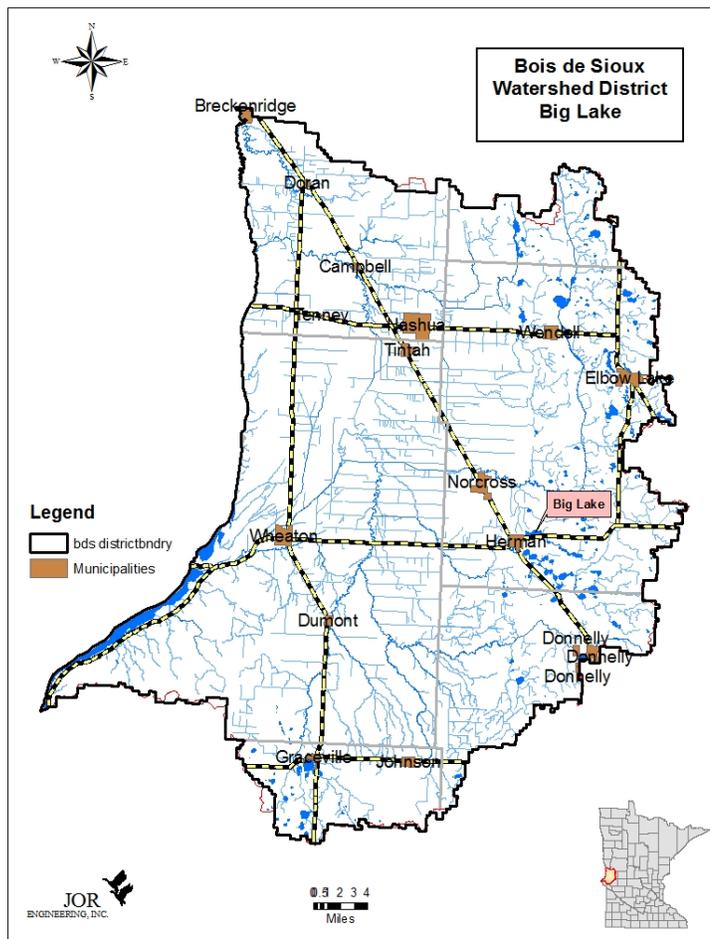
This project is currently inactive due to BdSWD priorities and project development difficulties resulting from permitting complexity. The current BdSWD proposed summer elevation is 1075 with a 1073 fall drawdown. This project would complete the third of three phases identified for flood risk reduction within the City of Herman. The first two phases included a re-design of the city stormwater conveyance system and the outlet channel to Pullman Slough west of the city. Water level control on Big Lake would provide additional protection to the city where flows could be metered through the system in an attempt to prevent exceeding the conveyance system's design capacity.

## 2017 Projects and Programs: Stream Gauging

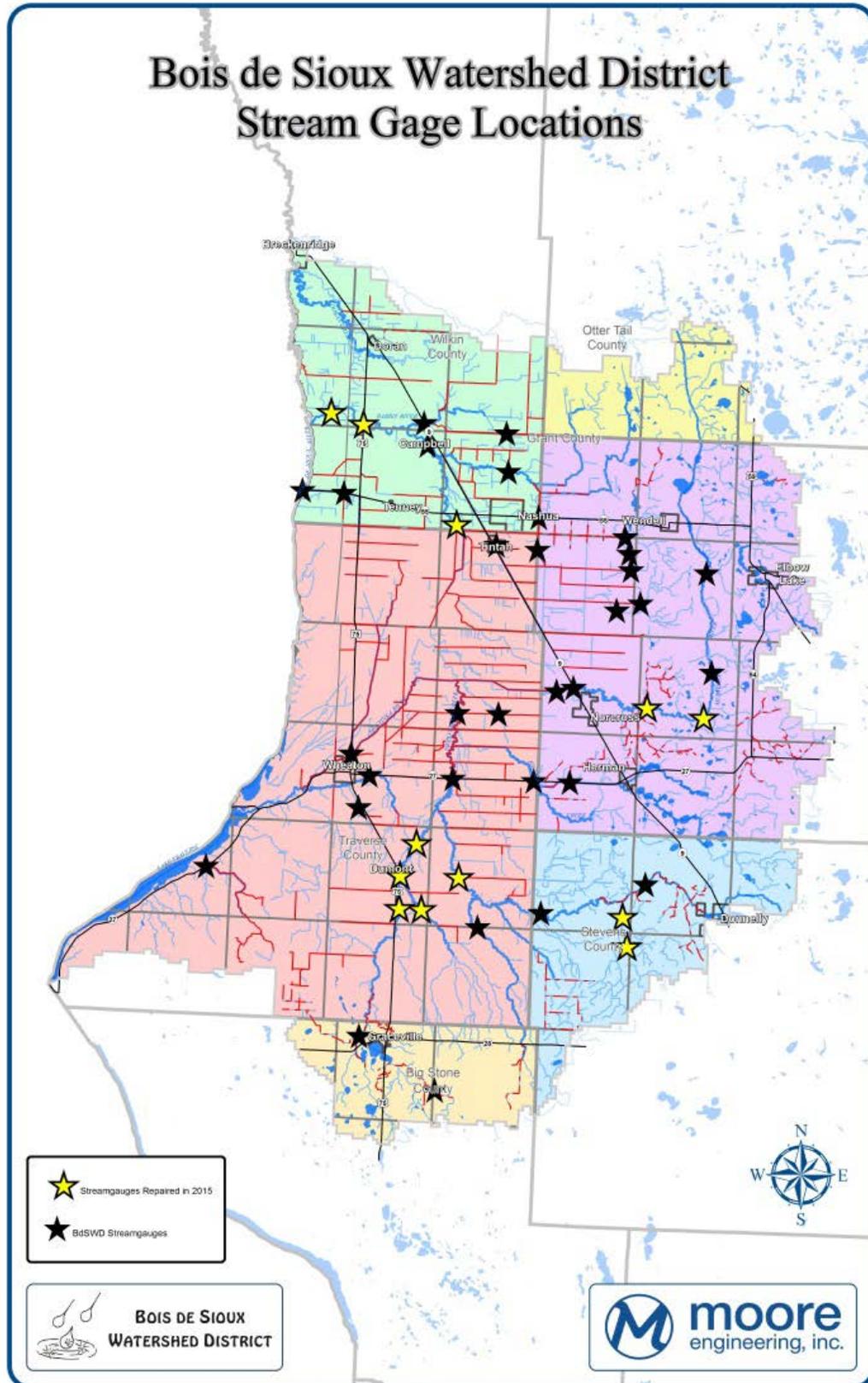
*In 2017, there were fifty-seven (57) gauging sites in the Stream Gauge Monitor Program. Nineteen (19) of those sites are considered active in which data was collected in 2016 and/or 2017. Volunteers that live within the vicinity of each gauge do the actual day-to-day monitoring of the stream gauge. The program is coordinated through the administrative office. Volunteer readers are compensated at a rate of seventy-five dollars (\$75.00) per gauge, per year, to help offset costs for accessing the gauge.*

*Stream Gauge Data for 2017 has been entered into the BdSWD computer data base.*

Each year, gauge readers are asked about the condition of their gauging site via a questionnaire sent by mail. If the gauge needs work or there is a request to modify the gauge, it is reviewed by the administration and assigned to an engineering technician to investigate, repair, or modify as the case may require.



2017 Projects and Programs: Stream Gauging Locations





## 2017 Projects and Programs: 2017 Other Activities

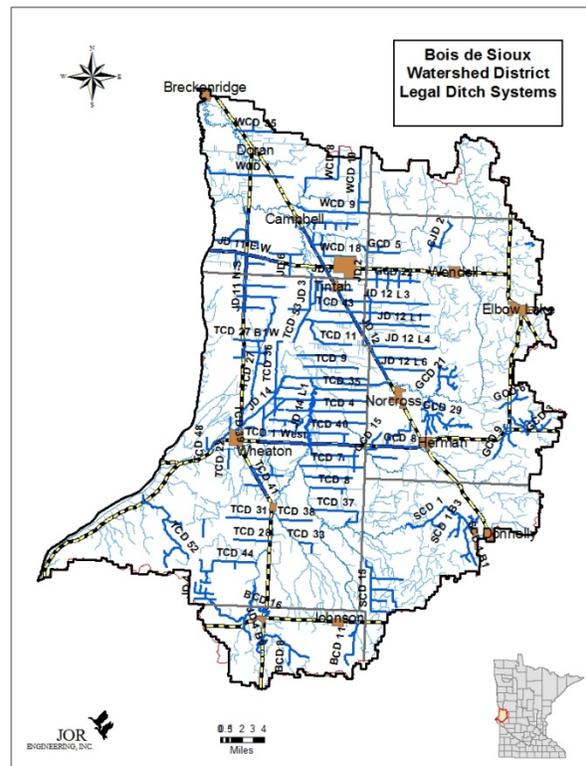
- **Land Leases:** Four leases were renewed for 2018, 21 parcels were bid, and 9 were negotiated directly with adjacent landowners (December 13, 2017). North Ottawa lands were bid in January 2018.
- **Bois de Sioux Watershed WRAPS & TMDL:** MPCA continued to provide funding for the Bois de Sioux Watershed Restoration and Protection project. The total budget for this work is \$250,000, fully funded by MPCA. MPCA Representative Cary Hernandez and EOR Limnologist Meghan Fuhnke held a public meeting to discuss the primary objectives of the WRAPS/TMDL reports (December 12, 2017). Drafts of the reports were not received in 2017.
- **Culvert Inventory:** Phase 3 & 4 were approved for completion (September 21, 2017).

## SECTION FOUR - DITCH FUND

### *Project Status and Business Transacted*

Since 1992 sixty (60) ditch systems have been under the jurisdiction of the Bois de Sioux Watershed District, with JD#3 added in 1995. This includes approximately four hundred (400) lineal miles of ditch. Ditch funds are managed by the district office. Annual ditch inspections are completed each year and a copy of reports are kept on file.

An annual spray program for heavy vegetation and trees in legal ditch systems is also administered by the BdSWD. In 2015, the Board changed their approach to vegetation control in the ditch systems. They essentially decided to hire 2 contractors, one for cattail control and the other for brush control. Each contractor will drive by one third of the ditch systems and treat the vegetation found. Each year they would continue in this manner, effectively treating each ditch once every 3 years. If additional vegetation issues are found on other systems, they would be noted and added to the contractor's list of systems to address in any given year. It was felt this would be more efficient use of time and provide a cost savings to the ditch systems. The contractors would provide a report of the areas treated for vegetation with their invoice.



### 2017 Legal Drainage Ditch Work

#### 2017 Legal Drainage Ditch Work: General Activities

- **Equipment Purchased:** GPS survey equipment, software, and a laptop was purchased; the equipment is used by the new district engineer technician (February 16, 2017). A trailer was purchased to haul equipment to ditch sites (April 20, 2017).
- **Equipment Sold:** The district's boat was sold at auction (May 18, 2017).
- **Interest Rate:** The interest rate was set for 2017 was set for 3.75% for ditch funds with negative balances (December 13, 2017).
- **Contractors Hired:** Don Reffer of B & W Control Specialists was contracted for brush control and tree removal. Leo Splonskowski of LM Road Services was contracted to spray cattails and brush.
- **Policy Changes:** Board formalized an existing policy, requiring a 50% threshold for redetermination petition signatures (July 20, 2017).

## 2017 Legal Drainage Ditch Work: Specific Ditch Activities

- **JD #3**  
Investigation into installing a field approach along the outlet mile of the main channel is ongoing. It is anticipated that investigation will be complete by the spring of 2018.
- **JD #6**  
Engineer's Report to be presented to the Board and landowners for repair of the entire ditch system in the spring of 2018.
- **JD #7**  
Investigation to replace one in-line crossing is ongoing. It is anticipated that investigation will be complete by the spring of 2018.
- **JD #11**  
Engineer's Report was present to the Board for repair of portions of the main channel. Petition has been received and redetermination of benefits is ongoing as well as preparation of final project documents.
- **JD #11 Lat 6**  
Cleanout of the entire lateral channel was completed in the fall. One field approach was also removed.
- **JD #12 Main**  
Cleanout of approximately 6 miles on the main channel was completed in the fall. Spoil to be spread in the spring of 2018.
- **JD #12 Lat 3**  
Cleanout of one mile of the lateral channel was completed in the summer.
- **JD #12 Lat 5**  
Spot cleanout of the entire lateral channel was completed in the fall.
- **JD #12 Lateral 1**  
Investigation to repair a portion of the lateral channel is ongoing, preliminary plans to be presented to the Board and landowners in the spring of 2018.
- **JD #14:** The litigant's appeal was dismissed - no pending litigation for JD 14 (July 20, 2017).
- **TCD #7**  
Cleanout of 1.5 miles of the main channel was completed in the fall. Cleanout of the remaining two miles will take place in the spring of 2018.
- **TCD #11**  
Cleanout of three miles of the main channel was completed in the summer.
- **TCD #13**  
Design and cost estimate to replace one in-line culvert was presented to the Board. Installation of the culvert will take place in the spring of 2018 as well as a potential cleanout of the entire main channel.
- **TCD #16**  
Cleanout of three miles of the main channel was completed in the summer. Spoil to be spread in the spring of 2018.

- **TCD #23**  
Cleanout of one half mile of the main channel was completed in the fall. Investigation into replacing the in-line culverts is ongoing. Meeting with the landowners and county highway department will take place in the spring of 2018.
- **TCD #27**  
Cleanouts of portions of the B1W, B2W, and B2W B1 channels were completed in the fall. Spoil to be spread in the spring of 2018.
- **TCD #28**  
Cleanout of the entire main channel was completed in the fall. Investigation into replacing one in-line culvert is still ongoing.
- **TCD #29**  
Maintenance survey is ongoing.
- **TCD #30**  
Cleanouts of portions of the main and overflow channels were completed in the fall.
- **TCD #41**  
Cleanout of the main outlet of the ditch was completed in the summer. Seeding to take place in the spring of 2018. Investigation into repairing the north outlet is ongoing.
- **TCD #43**  
Cleanout of one mile of the main channel was completed in the summer. Seeding to take place in the spring of 2018.
- **TCD #44**  
Cleanout of the outlet mile of the main channel was completed in the fall.
- **TCD #37:** A Construction bid was approved for Whaley Excavating, base bid + alternate. The retrofit project included easement acquisition and a BWSR grant for \$135,000. Substantial rain received in August and September delayed construction. In late fall, Board Managers approved the project to be substantially complete.

Landowners Mark Lampert and Bernard Von Zomeren successfully petitioned for drainage to outlet into TCD #37, following the required hearings (November 16 & December 13, 2017).

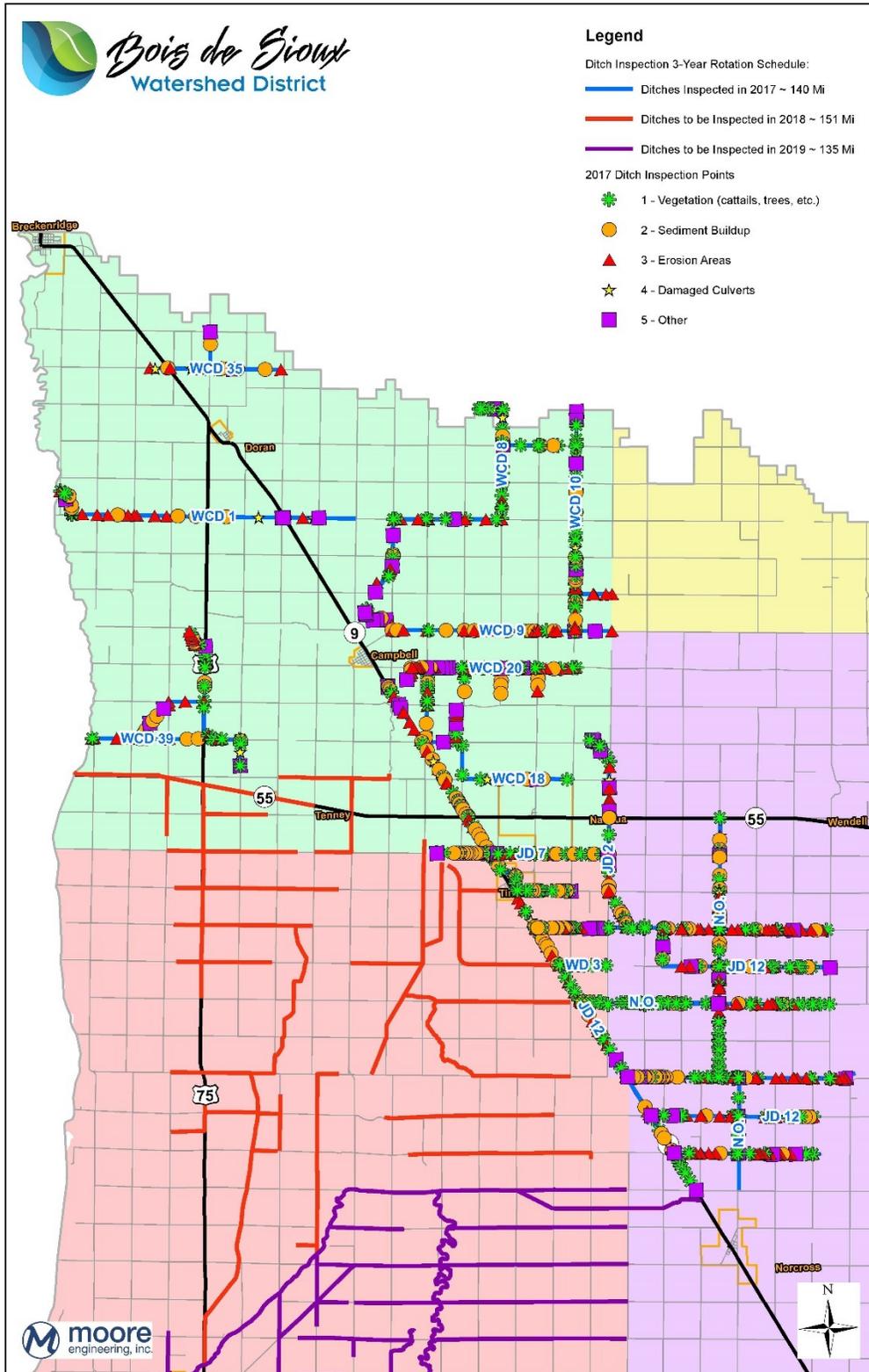
- **TCD #52**  
Engineer's report to repair the outlet mile of the main channel was presented to the board and landowners. Design, permitting, and funding is currently is ongoing.
- **WCD #1**  
Preliminary investigation is ongoing. Engineer's report for an improvement project to the entire system to be presented to the Board and landowners in the spring of 2018.
- **WCD #8.**  
A petition has been received for a repair of the main channel and requesting a redetermination of benefits. Engineer's Report was presented to the Board recommending the repair. The Board ordered a redetermination of benefits and damages and continued the repair until that is complete. Construction is anticipated to take place in 2018.

- **WCD #8 Lat. 1:** A Petition for Abandonment was received (July 20, 2017).
- **WCD #9**  
Engineer's report for an improvement project to the entire system was presented to the Board. A Petition for Improvement and a \$10,000 bond were received (August 17, 2017). Engineer's report for an improvement project to the entire system was presented to the Board. The Board appointed viewers and they are determining benefits and damages. The Engineers are preparing the final survey and the board is seeking funding documents.
- **WCD #10**  
Engineer's report for an improvement project to the entire system was presented to the Board. A Petition for Improvement and a \$10,000 bond were received (August 17, 2017). Engineer's report for an improvement project to the entire system was presented to the Board. The Board appointed viewers and they are determining benefits and damages. The Engineers are preparing the final survey and the board is seeking funding documents.
- **WCD #10 Lat. 1:** A Petition for Abandonment was received (August 17, 2017).
- **WCD #20**  
Multiple beaver dams were removed and three in-line culverts were replaced by the county highway department.

**2017 Legal Drainage Ditch Work: Requests for Maintenance**

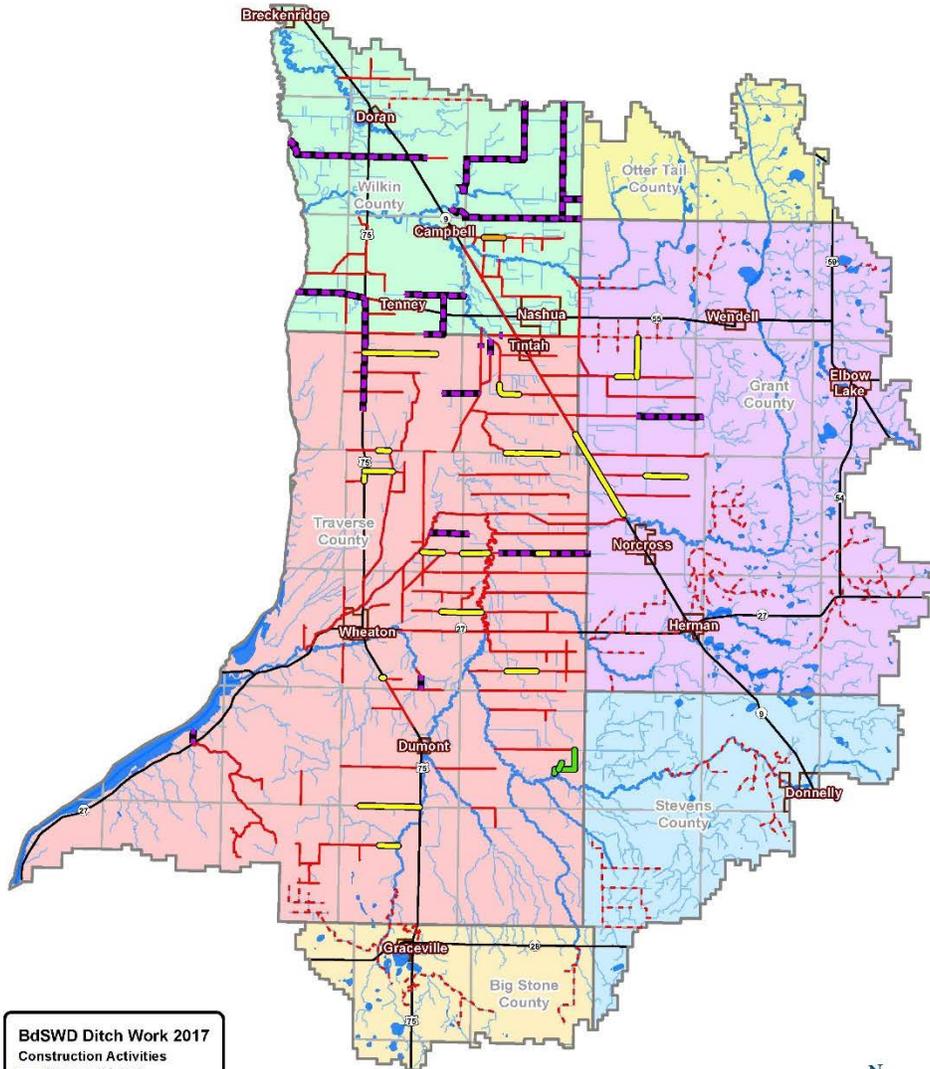
<b>Ditch</b>	<b>RFM #</b>	<b>Landowner Described Problem</b>
TCD 13	001-17	Sediment, Cattails, & Culvert Replacement
TCD 27 B1W	002-17	Beaver Dams
TCD 43	003-17	Sediment
TCD 52	004-17	Erosion
TCD 7	005-17	Sediment
TCD 11	006-17	Sediment
JD 12 L1	007-17	Sediment, Cattails, & Erosion
TCD 41 North Outlet	008-17	Sediment
TCD 52	009-17	Sediment
TCD 27	010-17	Sediment
TCD 16	011-17	Sediment & Cattails
TCD 28	012-17	Sediment
TCD 29	013-17	Sediment
TCD 30	014-17	Sediment
TCD 27 B2W	015-17	Sediment
TCD 28	016-17	Sediment & Culvert Replacement
TCD 27	017-17	Sediment
TCD 44	018-17	Sediment
JD 3	019-17	Install Field Approach
JD 12 L5	020-17	Sediment & Cattails
JD 7	021-17	Culvert Replacement
TCD 53	022-17	Sediment, Cattails, & Beaver Dams
TCD 7	023-17	Sediment & Cattails

# 2017 Legal Drainage Ditch Work: Inspection Map



2017 Legal Drainage Ditch Work: Map

# Bois de Sioux Watershed District 2017 Ditch Work



**BdSWD Ditch Work 2017**

**Construction Activities**

- Cleanout (30.4 mi)
- Ditch Repair (2.6 mi)
- Culvert (3 culverts)
- Investigated for Future Activity

**BdSWD Legal Ditches**

- Maintained by BdSWD
- Maintained by Other



## SECTION FOUR - PLANS FOR THE SUCCEEDING YEAR

- The Bois de Sioux Watershed District will conduct the necessary procedures to maintain the 400 lineal miles of legal ditch systems under their jurisdiction. This includes inspections, vegetation control, repairs, accounting, reports, etc.
- The Bois de Sioux Watershed District will continue to work towards acquisition of lands for the purpose of finalizing the needs for the Redpath Project.
- The Bois de Sioux Watershed District will continue to develop the Redpath Impoundment as it moves into the final stages of design and permitting. Permits still needed are the Federal 408 (alteration of a federal project) State of Minnesota Dam Safety Permit, and potentially a MnDNR Public Waters Permit. They will continue to manage the funding needs of the project and consider grants from additional sources as they see appropriate.
- The Bois de Sioux Watershed District Board and staff will continue to serve on the many boards, committees, and commissions that they are currently a part of. They will also consider serving any new capacities they are asked to participate in to further the goals of the district and Red River Basin.
- The Bois de Sioux Watershed District will continue to meet with the Rabbit River, Bois de Sioux Direct, Five Mile Creek, and TCD #52 Project Teams as necessary to continue development of the necessary Summary Reports and Recommendations as directed by the Board of Managers.
- The BdSWD will continue the support for the River Watch Program and encourage new schools to participate.
- The BdSWD will continue to promote education through the distribution of the educational video and periodic public informational meetings.
- The BdSWD will continue to facilitate additional project teams, as needed, to work towards resolving water problems in the watershed.
- The BdSWD will continue work on the Bois de Sioux WRAPS project in the 2018 calendar year.
- The BdSWD will continue to work with Grant County and MnDOT on watershed projects that could be constructed congruently with MnDOT's Highway 55, Grant County Road 42, and County State Aid Highway 1 road improvement projects. The proposal estimates a total project cost of \$1,800,000; BdSWD's participation is \$400,000. There are several benefits for the Watershed, including reduced permitting processes (by participating with MnDOT's projects) and Mustinka flow reductions (that would result in less water being driven into JD #12, the Rabbit River and Doran Creek) (November 2, 2017).

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2017**

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
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**BOIS DE SIOUX WATERSHED DISTRICT, MINNESOTA  
PRINCIPAL DISTRICT OFFICIALS  
DECEMBER 31, 2017**

Position	Name	County	Term Expires in May
President	Linda Vavra	Stevens	2019
Vice President	Jerome Deal	Traverse	2019
Treasurer	Allen Wold	Traverse	2020
Secretary	Scott Gillespie	Big Stone	2018
Manager	Doug Dahlen	Grant	2019
Manager	Vacant	Ottertail	Vacant
Manager	John Kapphahn	Grant	2020
Manager	Jason Beyer	Wilkin	2018
Manager	Steven Schmidt	Traverse	2018

## INDEPENDENT AUDITORS' REPORT

Board of Managers  
Bois de Sioux Watershed District  
Wheaton, Minnesota

We have audited the accompanying statement of balances arising from cash transactions for each fund of the Bois de Sioux Watershed District (the District) as of and for the year ended December 31, 2017, and the related statement of cash receipts, disbursements, and changes in cash fund balances, the statement of fiduciary cash position, 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the Minnesota Office of the State Auditor, the financial statements are prepared by the District in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2017 or its changes in financial position for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the balances arising from cash transactions of each fund of the District as of December 31, 2017 and their respective cash receipts, disbursements and changes in cash fund balances for the year then ended, in accordance with the financial reporting provisions of the Minnesota Office of the State Auditor described in Note 1.

***Other Matters***

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bois de Sioux Watershed District's basic financial statements. The budgetary comparison schedule and combining statement of cash receipts and disbursements – ditch special revenue fund, combining statement of cash receipts, disbursements, and changes in cash fund balance – ditch special revenue fund, and schedule of changes in fiduciary cash position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule and combining statement of cash receipts and disbursements – ditch special revenue fund and combining statement of cash receipts, disbursements, and changes in cash fund balance – ditch special revenue fund and schedule of changes in fiduciary cash position are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of accounts receivable and schedule of accounts payable 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 it.

Board of Managers  
Bois de Sioux Watershed District

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2018, on our consideration of the Bois de Sioux Watershed District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's 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 Bois de Sioux Watershed District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
March 6, 2018

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS  
DECEMBER 31, 2017**

	<u>General Fund</u>	<u>Ditch Fund</u>	<u>Construction Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Investments	<u>\$ 112,299</u>	<u>\$ -</u>	<u>\$ 6,795,993</u>	<u>\$ 6,908,292</u>
<b>LIABILITIES</b>				
Deficit Cash Balances	\$ -	\$ 1,110,331	\$ -	\$ 1,110,331
<b>CASH FUND BALANCES</b>				
Assigned	-	-	6,795,993	6,795,993
Unassigned	112,299	(1,110,331)	-	(998,032)
Total Cash Fund Balances	<u>112,299</u>	<u>(1,110,331)</u>	<u>6,795,993</u>	<u>5,797,961</u>
Total Liabilities and Cash Fund Balances	<u>\$ 112,299</u>	<u>\$ -</u>	<u>\$ 6,795,993</u>	<u>\$ 6,908,292</u>

See accompanying Notes to Financial Statements

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES  
DECEMBER 31, 2017**

	General Fund	Ditch Fund	Construction Fund	Total Governmental Funds
<b>RECEIPTS</b>				
Taxes	\$ 245,990	\$ -	\$ 942,887	\$ 1,188,877
Ditch Assessments	-	545,561	-	545,561
Intergovernmental Receipts	6,039	121,500	3,296,290	3,423,829
Interest Earnings (Loss)	363	(10,083)	17,667	7,947
Miscellaneous	5,472	26,816	39,940	72,228
Interfund Reimbursement	216,023	-	-	216,023
Land Rental	-	-	611,654	611,654
Total Receipts	<u>473,887</u>	<u>683,794</u>	<u>4,908,438</u>	<u>6,066,119</u>
<b>DISBURSEMENTS</b>				
Administration	113,362	90,620	64,309	268,291
Personnel	206,006	-	-	206,006
Services and Charges	18,224	-	142,136	160,360
Contractual Services	-	-	100,675	100,675
Supplies	6,802	-	11,563	18,365
Legal	39,974	61,343	42,099	143,416
Engineering	7,740	351,920	735,082	1,094,742
Repair and Maintenance	1,343	415,562	90,575	507,480
Capital Outlay	9,555	443,335	350,801	803,691
Total Disbursements	<u>403,006</u>	<u>1,362,780</u>	<u>1,537,240</u>	<u>3,303,026</u>
<b>EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS</b>	70,881	(678,986)	3,371,198	2,763,093
<b>OTHER FINANCING SOURCES AND USES</b>				
Transfer In	-	3,191	-	3,191
Transfer Out	-	-	(3,191)	(3,191)
Total Other Financing Sources and Uses	<u>-</u>	<u>3,191</u>	<u>(3,191)</u>	<u>-</u>
<b>NET CHANGE IN CASH FUND BALANCES</b>	70,881	(675,795)	3,368,007	2,763,093
Cash Fund Balances (Deficits) - Beginning of Year	<u>41,418</u>	<u>(434,536)</u>	<u>3,427,986</u>	<u>3,034,868</u>
<b>CASH FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ 112,299</u>	<u>\$ (1,110,331)</u>	<u>\$ 6,795,993</u>	<u>\$ 5,797,961</u>

See accompanying Notes to Financial Statements

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
STATEMENT OF FIDUCIARY CASH POSITION  
AGENCY FUND  
DECEMBER 31, 2017**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and Investments	<u>\$ -</u>
<b>LIABILITIES</b>	
Cash Due to Others	<u>\$ -</u>

*See accompanying Notes to Financial Statements*

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Bois de Sioux Watershed District (the District) was organized in 1988 under the provisions of Minnesota Statutes Chapter 103D; additional powers and duties are contained in Minnesota Statutes Chapters 103E and 471. The purpose of the District is to provide water management within its geographic boundaries. In addition to existing water problems, the District recognizes the need to prevent flooding and improve water quality. The District is governed by a Board of Managers composed of nine members, three from Traverse County, two from Grant County, and one each from Big Stone, Otter Tail, Stevens, and Wilkin Counties. Board members are appointed by the respective County Boards of Commissioners for three-year terms.

In accordance with Government Accounting Standards Board (GASB) Statements, these financial statements include only financial data for which the primary government is financially accountable. The primary government includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Financial accountability includes appointment of the organization's governing body by the primary government and (a) the ability to impose its will on the organization or (b) the organization's ability to provide financial benefit to or impose financial burdens on the primary government.

Eight watershed districts within the Red River Valley form the Red River Watershed Management Board. They work together under a joint powers agreement towards a basin-wide approach to resolving water resource problems in the Valley. The District collects property taxes and remits the collections to the Red River Watershed Management Board which funds projects along the Red River Valley. The Bois de Sioux Watershed District reports an agency fund to account for the property tax collections and payments.

**Fund Accounting**

The District uses funds to report on its assets, liabilities, cash fund balances, receipts, and disbursements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The District uses the regulatory basis as prescribed by the Minnesota Office of the State Auditor. The regulatory basis is a cash basis reporting structure. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are used to account for all or most of the District's general activities, including the acquisition and construction of projects. The General Fund is used to account for all activities of the general government not accounted for in some other fund.

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

**Regulatory Basis of Accounting**

The District follows the cash basis accounting for all governmental funds. The cash basis of accounting recognizes receipts and disbursements only as cash is received or paid out. Therefore, the governmental fund statements do not give effect to receivables, payables, accrued expenses and inventories and accordingly, are not presented in accordance with generally accepted accounting principles.

**General Fund**

The General Fund is the general operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of certain specific revenue sources that are restricted or assigned to disbursements for specified purposes.

**Ditch Fund**

The Ditch Special Revenue Fund is used to account for financial resources for all ditches and their related disbursements. The supplementary ditch information is included although the ditches are separated for internal purposes. Receipts for the Ditch Fund are generated from property taxes levied. Receipts originate from property tax special assessment levies and are restricted for use in the Ditch Fund.

**Construction Fund**

The Construction Fund is used to account for the receipts and disbursements of various construction projects in the District. Receipts for the Construction Fund were generated through property levies, the State's related market value credits, land rent and reimbursements on construction from both federal and state grants. These receipts are earmarked for project construction purposes.

**Agency Fund**

The Agency Fund is used to account for assets held by the District as an agent for the Red River Watershed Management Board. Agency Fund transactions principally consist of property tax collections and state credits received and disbursed for the Red River Watershed Management Board.

**Budgets**

Annually, the District Board adopts an estimated receipts and disbursements budget for the General Fund and adopts property tax levies which are submitted to the various counties. The District Board did not adopt a budget for the special revenue funds. The budgets may be amended or modified at any time by the District Board.

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

**Cash and Savings and Certificates of Deposit**

Cash balances from various funds are pooled and invested to the extent available in a checking account, money market savings, and certificates of deposit. Earnings from investments are allocated based upon participation.

**Property Taxes**

General property tax receipts include current and delinquent property taxes received. Current property tax receipts represent the tax levy, less state aids and credits, certified to the county auditor which was collected during the year ended December 31, 2017.

**Cash Fund Balance**

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance related to prepaids, inventories, long term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (i.e., statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Managers. The Board of Managers is authorized to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned fund balance.

**Interest Allocation**

The District charges interest at an annual fixed rate to those ditch funds that have an average negative fund balance and allocates the interest to the remaining ditch funds.

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

The following fund has a deficit cash fund balance as of December 31, 2017:

Ditch Fund	\$ 1,110,331
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Deficit cash fund balances are due to disbursements exceeding receipts.

Management plans to assess the respective property owners' additional taxes to fund these disbursements and, over a period of time, eliminate the deficit cash fund balances.

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 DEPOSITS AND INVESTMENTS**

The District's total deposits and investments are as follows:

Checking Accounts	\$ 5,163,119
Savings Accounts	634,842
Total	<u>\$ 5,797,961</u>

A reconciliation of cash and investments as shown on the statement of balances arising from cash transactions:

Primary Government	
Cash and Investments	\$ 6,908,292
Cash Deficit	<u>(1,110,331)</u>
Total Cash and Investments	<u>\$ 5,797,961</u>

**Deposits**

In accordance with Minnesota Statutes, the District maintains deposits at those institutions authorized by the Board. All such depositories are members of the Federal Reserve System or are state designated investment pools.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all 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 corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The District's bank balance of deposits at December 31, 2017 was entirely covered by federal depository insurance.

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

The District does not have an investment policy and is permitted to invest its idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and 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 thirteen months or less.
- General obligations rated “A” or better; revenue obligations rated “AA” or better.
- General obligations of the Minnesota Housing Finance Agency rate “A” or better.
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements 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

At December 31, 2017, the District had no investments.

**NOTE 4 TRANSFERS**

The composition of interfund transfers as of December 31, 2017 is as follows:

Transfer Out	Transfer In	Amount
Ditch Fund	Construction Fund	\$ 3,191

Transfers are used to reimburse for expenditures incurred in the construction fund.

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 5    DEFINED BENEFIT PENSION PLAN**

**Plan Description**

All full-time and certain part-time employees of Bois de Sioux Watershed District are covered by a defined benefit plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapter 353 and 356.

General Employee Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year.

The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For all General Employee Retirement plan members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 5    DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Plan. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling 651-296-7460 or 1-800-652-9026.

**Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. General Employee Retirement Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in 2017. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan General Employee Plan members, 7.50% for Coordinated Plan members. The District's contributions to the Public Employees' Retirement Fund for the years ending December 31, 2017, 2016, and 2015, were \$11,439, \$7,397, and \$9,508, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

**NOTE 6    RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The City has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities. The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The pool can make additional assessments to make the pool self-sustaining.

The District has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material 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 past three fiscal years.

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE – CASH BASIS  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2017**

	Original and Final Budget	Actual	Variance Over (Under)
<b>RECEIPTS</b>			
Taxes	\$ 250,000	\$ 245,990	\$ (4,010)
Intergovernmental Revenues	176,800	6,039	(170,761)
Interest	-	363	363
Miscellaneous	-	5,472	5,472
Interfund Reimbursement	-	216,023	216,023
Total Receipts	<u>426,800</u>	<u>473,887</u>	<u>47,087</u>
<b>DISBURSEMENTS</b>			
Administration	111,000	113,362	2,362
Personnel	204,209	206,006	1,797
Services and Charges	11,600	18,224	6,624
Supplies	5,000	6,802	1,802
Legal	80,000	39,974	(40,026)
Engineering	68,000	7,740	(60,260)
Repairs and Maintenance	-	1,343	1,343
Capital Outlay	12,500	9,555	(2,945)
Total Disbursements	<u>492,309</u>	<u>403,006</u>	<u>(89,303)</u>
<b>NET CHANGE IN CASH FUND BALANCE</b>	(65,509)	70,881	136,390
Cash Fund Balance - Beginning of Year	<u>-</u>	<u>41,418</u>	<u>41,418</u>
<b>CASH FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ (65,509)</u>	<u>\$ 112,299</u>	<u>\$ 177,808</u>

**BOIS DE SIOUX WATERSHED DISTRICT, MINNESOTA  
COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
DITCH SPECIAL REVENUE FUNDS  
YEAR ENDED DECEMBER 31, 2017**

			Receipts	Net	Cash Fund	
	Receipts	Disbursements	Over (Under) Disbursements		Transfers	Balance
					12/31/2016	12/31/2017
Joint County Ditch						
2	\$ 20,508	\$ 5,861	\$ 14,647	\$ (27)	\$ 124,314	\$ 138,934
3	4,328	4,749	(421)	(13)	15,858	15,424
4	1,030	174	856	-	175	1,031
5	358	-	358	-	(358)	-
6	15,306	4,428	10,878	(31)	(12,121)	(1,274)
7	5,074	4,347	727	(22)	(5,106)	(4,401)
11	28,939	109,106	(80,167)	(115)	(27,664)	(107,946)
12	43,826	109,433	(65,607)	(226)	51,831	(14,002)
14	133,594	30,357	103,237	(102)	(645,652)	(542,517)
Total Joint County Ditches	252,963	268,455	(15,492)	(536)	(498,723)	(514,751)
Traverse County Ditch						
1	9,716	2,172	7,544	(40)	44,297	51,801
2	7,543	1,258	6,285	(20)	26,569	32,834
4	7,147	2,389	4,758	(22)	973	5,709
7	4,376	16,423	(12,047)	(27)	5,731	(6,343)
8	5,788	1,250	4,538	(22)	18,404	22,920
9	2,807	1,249	1,558	(24)	13,875	15,409
10	3,669	1,204	2,465	88	(5,704)	(3,151)
11	7,991	51,484	(43,493)	132	9,317	(34,044)
13	789	8,978	(8,189)	27	3,360	(4,802)
15	807	672	135	22	1,104	1,261
16	4,557	24,772	(20,215)	60	(12,414)	(32,569)
17	7,035	1,410	5,625	62	(55,502)	(49,815)
18	2,141	2,310	(169)	29	(14,879)	(15,019)
19	738	1,116	(378)	38	887	547
20	2,702	639	2,063	13	(10,328)	(8,252)
22	3,506	1,708	1,798	29	(19,518)	(17,691)
23	2,762	9,273	(6,511)	75	8,372	1,936
24	1,393	1,012	381	43	6,216	6,640
26	2,390	1,161	1,229	53	2,603	3,885
27	19,676	83,479	(63,803)	313	4,301	(59,189)
28	2,295	26,006	(23,711)	51	11,653	(12,007)
29	1,614	1,423	191	44	6,843	7,078
30	4,006	17,649	(13,643)	31	(22,769)	(36,381)
31	9,536	8,155	1,381	108	(17,227)	(15,738)
32	1,963	958	1,005	43	6,882	7,930
33	1,487	950	537	36	9,900	10,473
35	2,607	1,604	1,003	4,996	9,160	15,159
36	3,095	2,413	682	105	(1,186)	(399)
37	143,536	545,488	(401,952)	-	(104,608)	(506,560)
38	2,555	1,115	1,440	48	10,109	11,597
39	912	487	425	22	3,072	3,519
40	6,840	1,710	5,130	59	(15,666)	(10,477)

**BOIS DE SIOUX WATERSHED DISTRICT, MINNESOTA  
COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
DITCH SPECIAL REVENUE FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

Traverse County Ditch (Continued)			Receipts	Net	Cash Fund	
	Receipts	Disbursements	Over (Under) Disbursements	Transfers	12/31/2016	12/31/2017
41	\$ 9,623	\$ 5,249	\$ 4,374	\$ 89	\$ (17,432)	\$ (12,969)
42	2,523	1,547	976	72	2,221	3,269
43	2,734	8,554	(5,820)	89	2,078	(3,653)
44	5,533	20,136	(14,603)	149	20,556	6,102
45	-	1,671	(1,671)	-	1,671	-
46	1,900	1,403	497	28	4,228	4,753
48	2,713	1,585	1,128	22	(22,348)	(21,198)
50	215	344	(129)	18	2,033	1,922
51	3,166	4,281	(1,115)	103	(24,067)	(25,079)
52	12,863	16,376	(3,513)	257	35,078	31,822
53	12,321	2,205	10,116	88	48,706	58,910
55	2,437	1,304	1,133	31	(6,319)	(5,155)
<b>Total Traverse County Ditches</b>	<b>334,007</b>	<b>886,572</b>	<b>(552,565)</b>	<b>7,318</b>	<b>(29,768)</b>	<b>(575,015)</b>
<b>Wilkin County Ditch</b>						
Sub - 1	10,038	17,444	(7,406)	127	21,590	14,311
8	26,397	64,247	(37,850)	(37)	(11,444)	(49,331)
9	15,544	31,837	(16,293)	121	(27,467)	(43,639)
10	13,768	24,743	(10,975)	105	19,050	8,180
18	12,159	1,563	10,596	72	(52,252)	(41,584)
20	6,093	61,025	(54,932)	106	13,842	(40,984)
25	5,028	2,938	2,090	345	15,134	17,569
35	4,109	1,661	2,448	(1,213)	16,937	18,172
39	2,649	1,433	1,216	135	10,663	12,014
<b>Total Wilkin County Ditches</b>	<b>95,785</b>	<b>206,891</b>	<b>(111,106)</b>	<b>(239)</b>	<b>6,053</b>	<b>(105,292)</b>
<b>BdSWD Ditch</b>						
3	1,039	862	177	460	84,090	84,727
<b>Ending Cumulative County Ditch Balances</b>	<b>683,794</b>	<b>1,362,780</b>	<b>(678,986)</b>	<b>7,003</b>	<b>(438,348)</b>	<b>(1,110,331)</b>
<b>Unallocated Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,812)</b>	<b>3,812</b>	<b>-</b>
<b>Ending Ditch Cash Fund Balances</b>	<b>\$ 683,794</b>	<b>\$ 1,362,780</b>	<b>\$ (678,986)</b>	<b>\$ 3,191</b>	<b>\$ (434,536)</b>	<b>\$ (1,110,331)</b>

**BOIS DE SIOUX WATERSHED DISTRICT, MINNESOTA  
 COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH FUND BALANCE  
 DITCH SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2017**

		Receipts				
		Ditch	Inter-	Interest	Miscellaneous	Total
		Assessments	governmental			
Joint County Ditch						
2	\$	19,574	-	\$ 934	\$ -	\$ 20,508
3		4,212	-	116	-	4,328
4		1,027	-	3	-	1,030
5		-	-	358	-	358
6		15,378	-	(72)	-	15,306
7		5,121	-	(47)	-	5,074
11		29,929	-	(990)	-	28,939
12		43,436	-	390	-	43,826
14		140,323	-	(6,729)	-	133,594
Total Joint County Ditches		259,000	-	(6,037)	-	252,963
Traverse County Ditch						
1		9,373	-	343	-	9,716
2		7,330	-	213	-	7,543
4		7,124	-	23	-	7,147
7		4,334	-	42	-	4,376
8		5,636	-	152	-	5,788
9		2,702	-	105	-	2,807
10		3,718	-	(49)	-	3,669
11		7,936	-	55	-	7,991
13		789	-	-	-	789
15		797	-	10	-	807
16		4,801	-	(244)	-	4,557
17		7,633	-	(598)	-	7,035
18		2,300	-	(159)	-	2,141
19		731	-	7	-	738
20		2,810	-	(108)	-	2,702
22		3,714	-	(208)	-	3,506
23		2,723	-	39	-	2,762
24		1,345	-	48	-	1,393
26		2,367	-	23	-	2,390
27		20,030	-	(354)	-	19,676
28		2,221	-	74	-	2,295
29		1,563	-	51	-	1,614
30		4,281	-	(275)	-	4,006
31		9,718	-	(182)	-	9,536
32		1,910	-	53	-	1,963
33		1,413	-	74	-	1,487
35		2,505	-	102	-	2,607
36		3,107	-	(12)	-	3,095
37		18,425	121,500	(3,205)	6,816	143,536
38		2,476	-	79	-	2,555
39		888	-	24	-	912
40		6,992	-	(152)	-	6,840

Disbursements

Administrative	Legal	Engineering	Repairs and Maintenance	Capital Outlay	Total
\$ 978	\$ -	\$ 274	\$ 4,148	\$ 461	\$ 5,861
818	-	340	3,132	459	4,749
174	-	-	-	-	174
-	-	-	-	-	-
3,040	-	647	227	514	4,428
1,906	-	228	1,826	387	4,347
5,506	2,546	37,972	60,594	2,488	109,106
9,691	3,163	27,343	64,892	4,344	109,433
1,856	16,827	1,051	7,653	2,970	30,357
<u>23,969</u>	<u>22,536</u>	<u>67,855</u>	<u>142,472</u>	<u>11,623</u>	<u>268,455</u>
872	-	411	509	380	2,172
407	-	206	277	368	1,258
425	192	228	1,120	424	2,389
2,144	-	274	13,509	496	16,423
425	-	229	266	330	1,250
445	-	251	125	428	1,249
463	-	274	77	390	1,204
1,839	315	2,031	46,710	589	51,484
1,991	-	6,336	489	162	8,978
291	-	69	187	125	672
2,593	-	537	21,231	411	24,772
388	-	183	508	331	1,410
888	-	834	435	153	2,310
330	-	114	479	193	1,116
272	-	46	122	199	639
311	-	91	1,145	161	1,708
901	-	1,951	5,998	423	9,273
559	-	137	68	248	1,012
368	-	160	330	303	1,161
4,242	-	29,536	47,889	1,812	83,479
1,156	-	3,075	21,495	280	26,006
926	-	137	187	173	1,423
1,361	-	816	15,172	300	17,649
502	-	1,070	6,222	361	8,155
348	-	137	230	243	958
320	-	103	345	182	950
425	-	228	546	405	1,604
501	-	320	1,084	508	2,413
16,172	22,807	95,149	1,535	409,825	545,488
352	-	148	359	256	1,115
292	-	69	-	126	487
387	-	183	747	393	1,710

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCE  
DITCH SPECIAL REVENUE FUND (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

	Receipts				
	Ditch				
Traverse County Ditch (Continued)	Assessments	Intergovernmental	Interest	Miscellaneous	Total
41	\$ 9,808	\$ -	\$ (185)	\$ -	\$ 9,623
42	2,503	-	20	-	2,523
43	2,742	-	(8)	-	2,734
44	5,385	-	148	-	5,533
45	-	-	-	-	-
46	1,866	-	34	-	1,900
48	2,966	-	(253)	-	2,713
50	200	-	15	-	215
51	3,451	-	(285)	-	3,166
52	12,600	-	263	-	12,863
53	11,935	-	386	-	12,321
55	2,499	-	(62)	-	2,437
<b>Total Traverse County Ditches</b>	<b>209,647</b>	<b>121,500</b>	<b>(3,956)</b>	<b>6,816</b>	<b>334,007</b>
<b>Wilkin County Ditch</b>					
Sub - 1	9,877	-	161	-	10,038
8	26,695	-	(298)	-	26,397
9	4,396	-	(398)	11,546	15,544
10	5,199	-	115	8,454	13,768
18	12,696	-	(537)	-	12,159
20	6,056	-	37	-	6,093
25	4,907	-	121	-	5,028
35	3,981	-	128	-	4,109
39	2,566	-	83	-	2,649
<b>Total Wilkin County Ditches</b>	<b>76,373</b>	<b>-</b>	<b>(588)</b>	<b>20,000</b>	<b>95,785</b>
<b>BdSWD Ditch</b>					
3	541	-	498	-	1,039
<b>Total Receipts and Disbursements</b>	<b>\$ 545,561</b>	<b>\$ 121,500</b>	<b>\$ (10,083)</b>	<b>\$ 26,816</b>	<b>\$ 683,794</b>

Disbursements

Administrative	Legal	Engineering	Repairs and Maintenance	Capital Outlay	Total
\$ 780	\$ -	\$ 1,231	\$ 2,595	\$ 643	\$ 5,249
425	-	228	456	438	1,547
1,777	-	424	5,915	438	8,554
887	-	1,988	16,388	873	20,136
-	-	-	1,671	-	1,671
311	-	91	672	329	1,403
290	-	69	1,119	107	1,585
281	-	57	1	5	344
503	-	320	2,767	691	4,281
2,384	72	12,633	4	1,283	16,376
832	-	274	566	533	2,205
731	-	91	337	145	1,304
<u>52,097</u>	<u>23,386</u>	<u>162,739</u>	<u>221,887</u>	<u>426,463</u>	<u>886,572</u>
571	-	16,141	2	730	17,444
5,568	9,049	48,221	672	737	64,247
1,800	4,489	24,728	77	743	31,837
1,605	1,883	20,704	2	549	24,743
750	-	228	1	584	1,563
1,981	-	10,521	47,892	631	61,025
906	-	228	1,396	408	2,938
434	-	228	610	389	1,661
816	-	183	1	433	1,433
<u>14,431</u>	<u>15,421</u>	<u>121,182</u>	<u>50,653</u>	<u>5,204</u>	<u>206,891</u>
<u>123</u>		<u>144</u>	<u>550</u>	<u>45</u>	<u>862</u>
<u>\$ 90,620</u>	<u>\$ 61,343</u>	<u>\$ 351,920</u>	<u>\$ 415,562</u>	<u>\$ 443,335</u>	<u>\$ 1,362,780</u>

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
SCHEDULE OF CHANGES IN FIDUCIARY CASH POSITION  
AGENCY FUND  
YEAR ENDING DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
<b>Collections for Red River Watershed Management Board</b>				
Property Taxes	\$ 153,379	\$ 967,554	\$ 1,120,933	\$ -

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
SCHEDULE OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2017  
(UNAUDITED)**

Fund	Source	Purpose	Amount
Construction	Grant County	Riparian Protection Aid	\$ 10,317
Construction	Traverse County	Riparian Protection Aid	29,939
Construction	Wilkin County	Riparian Protection Aid	12,982
General	League of MN Cities	Insurance Rebate	2,207
Ditch	Traverse County	Taxes/Special Assessments	18,164
General	Traverse County	Taxes/Special Assessments	3,658
Construction	Traverse County	Taxes/Special Assessments	14,057
General	Ottertail County	Taxes	62
Construction	Ottertail County	Taxes	421
General	Big Stone County	Taxes	71
Construction	Big Stone County	Taxes	272
Ditch	Wilkin County	Taxes/Special Assessments	1,841
General	Wilkin County	Taxes/Special Assessments	442
Construction	Wilkin County	Taxes/Special Assessments	1,680
General	Stevens County	Taxes	127
Construction	Stevens County	Taxes	489
Ditch	Grant County	Taxes	697
General	Grant County	Taxes	797
Construction	Grant County	Taxes	3,051
		Total	<u>\$ 101,274</u>

**BOIS DE SIOUX WATERSHED DISTRICT  
WHEATON, MINNESOTA  
SCHEDULE OF ACCOUNTS PAYABLE  
DECEMBER 31, 2017  
(UNAUDITED)**

Fund	Vendor	Purpose	Amount
Ditch	Aaron Deal	Damage Payment	\$ 575
Ditch	Brett Lupkes	Damage Payment	356
Ditch	Adam Jipson	Damage Payment	475
Ditch	Curt Braun	Damage Payment	190
General, Ditch, Construction	Moore Engineering, Inc.	Engineering	152,128
Construction	Emmons & Oliver Resources, Inc.	Website	40
General	Elan Financial Services	Credit Card	1,036
General, Construction	Jamie Beyer	Admin Service Contract	4,126
General	AmeriPride Linen & Uniform Services	Maintenance	24
General	City of Wheaton	Utilities	32
General, Ditch, Construction	Cline Jensen P.A.	Attorney	6,021
Construction	Daily News / News Monitor	Advertising	52
Ditch	Dan Swedlund	Viewer Expense	4,058
General	Farm & Home Oil Co Inc.	Board Meeting Food	235
General, Construction	Fergus Falls Daily Journal	Notice of Meeting Change	337
General	Frontier	Telephone	301
Construction	Gazette Publishing Co.	Advertising	70
Ditch	Whaley Excavating	JD 37 Retrofit	16,350
General	The Grant County Herald	Business Cards	52
General, Ditch, Construction	Morris & Associates	Accounting Services	3,585
Construction	Paul Daly	Gauge Reading	150
General	Pitney Bowes-Reserve Account	Postage	250
General	Runestone Telecom Assoc.	Utilities	123
Construction	Sag's Hardware Hank, Inc.	Maintenance	62
Ditch	Stan Churchill	Viewer Expense	2,347
Construction	Sturdevant's Auto Parts	Repair	2
Construction	Tri County Coop	Fuel	127
General	Willy's Super Valu	Meeting Expense	9
General	April Swenby	Education	120
General, Ditch, Construction	Moore Engineering, Inc.	Engineering	181,285
		Total	<u>\$ 374,518</u>



**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***

Board of Managers  
Bois de Sioux Watershed District  
Wheaton, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of balances arising from cash transactions of the Bois de Sioux Watershed District (the District) as of and for the year ended December 31, 2017, and the related statement of cash receipts, disbursements, and changes in cash fund balances, the statement of fiduciary cash position, and notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 6, 2018. We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements are prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2017-001 to 2017-003 to be material weaknesses.

**Internal Control Over Financial Reporting (Continued)**

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 deficiency described in the accompanying schedule of findings and responses as item 2017-004 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bois de Sioux Watershed 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*.

**The District's Response to Findings**

Bois de Sioux Watershed District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Bois de Sioux Watershed District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
March 6, 2018



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

Board of Managers  
Bois de Sioux Watershed District  
Wheaton, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying statement of balances arising from cash transactions of each governmental fund of the Bois de Sioux Watershed District (the District), as of and for the year ended December 31, 2017 and the related statement of cash receipts, disbursements and changes in cash fund balances of each governmental fund, the statement of fiduciary cash position, and the related notes to the financial statements and have issued our report thereon dated March 6, 2018. We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements are prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America.

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 included all of the listed categories, except that we did not test for compliance with the provisions of tax increment financing because this area did not apply.

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*, except as described in the schedule of findings and responses as items 2017-005 through 2017-007. 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, insofar as they relate to accounting matters.

The District's written responses to the legal compliance findings identified in our audit are described in the schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
March 6, 2018

**BOIS DE SIOUX WATERSHED DISTRICT, WHEATON, MINNESOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2017**

**Internal Control Findings:**

**FINDING: 2017-001 Financial Statement Preparation**

**Criteria:** Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with the requirements of the Minnesota Office of the State Auditor.

**Condition:** The District does not have internal control procedures in place over annual financial reporting, therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

**Possible Effect:** The lack of an internal controls over annual financial reporting may result in misstatement of the financial statements.

**Cause:** The District relies on the audit firm to prepare certain adjustments, annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual adjustments, financial statements and related footnote disclosures.

**Recommendation:** The District should continue to evaluate their internal staff, expertise, and assigned duties to determine if an internal control policy over the annual financial reporting is beneficial.

**Management's Response:** The District will continue to rely on the auditor for assistance with the financial statements and will continue to review and approve them before issuance.

**FINDING: 2017-002 Segregation of Duties**

**Criteria:** Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

**Condition:** The District does not have adequate segregation of accounting duties.

**Possible Effect:** The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

**Cause:** There is a limited number of staff in the business office.

**Recommendation:** We recommend that the District continue to segregate duties as best it can within the limits of what the District considers to be cost beneficial. We recommend the District consider having bank statements sent directly from the bank to a board member as well as the District office. Board members should sign off on the bank statement and reconciliation indicating their review and approval. Finally, vendor invoices should be defaced or marked as paid to prevent duplicate payment.

**Management's Response:** The District will continue to look for areas to improve segregation of duties. An office manager was hired in December 2017 and duties will be segregated to the extent possible going forward.

**BOIS DE SIOUX WATERSHED DISTRICT, WHEATON, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
DECEMBER 31, 2017**

**Internal Control Findings (Continued):**

**FINDING: 2017-003 Material Audit Adjustments**

**Criteria:** The District should have internal controls in place to prevent and detect material misstatements in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information.

**Condition:** The audit firm proposed and the District posted to its general ledger, journal entries to move expenditures to the appropriate funds.

**Possible Effect:** Disbursements could be charged to funds with restrictions on the use of the funding.

**Cause:** Limited number of personnel does not allow for adequate review.

**Recommendation:** The District should evaluate its accounting controls and determine if additional procedures should be implemented to assure that accounts are adjusted to their proper year end balances. Expenditure account coding should be reviewed and approved to ensure accurate reporting by fund.

**Management's Response:** The District will utilize classes within QuickBooks®. All transactions will be posted to a class and the class will be included in the report that goes to the board of managers for approval.

**FINDING: 2017-004 Credit Card Documentation**

**Criteria:** Documentation should be obtained and retained to support the disbursements recorded in the general ledger.

**Condition:** Supporting documentation in the form of third-party invoices was not always retained for charges on the District's credit card. In addition, business charges on the administrator's personal credit card were paid directly to the credit card vendor instead of reimbursed through an expense report process.

**Possible Effect:** Lack of proper reconciling procedures over credit cards increases the risk of inappropriate disbursements. Paying employee credit cards directly as opposed to reimbursing the employee through an expense report process increases the risk that personal charges will be paid by the District.

**Cause:** Turnover in administrator position.

**Recommendation:** We recommend the District implement procedures to ensure the credit card statements are reconciled to third party invoices/receipts. Documentation should be retained to allow the reviewer to determine the business nature of the credit card charge such as copies of training itineraries. The reconciled statement and supporting documentation should be retained in accordance with approved record retention policies.

**Management's Response:** Management agrees and will implement procedures to ensure documentation is obtained to support credit card transactions prior to payment.

**BOIS DE SIOUX WATERSHED DISTRICT, WHEATON, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
DECEMBER 31, 2017**

**Minnesota Legal Compliance Findings:**

**FINDING: 2017-005 Unclaimed Property**

**Criteria:** Minnesota Statutes §345.38-43 requires that unclaimed or uncashed checks or other intangible property held for more than three years be reported and paid or delivered to the State Commissioner of Commerce.

**Condition:** The District has two checks outstanding for greater than three years.

**Cause:** Personnel turnover.

**Possible Effect:** The District is not in compliance with Minnesota Statutes.

**Recommendation:** We recommend Management implement procedures to ensure unclaimed property held for more than three years is reported and paid to the State Commissioner of Commerce.

**Management Response:** Management agrees and will implement a process to properly report and remit unclaimed property to the State Commissioner of Commerce.

**FINDING: 2017-006 Destruction of Records**

**Criteria:** Minnesota Statutes §15.17 requires all officers and agencies of the state, counties, cities, towns, school districts, municipal subdivisions or corporations, or other public authorities or political entities within the state, hereinafter "public officer," make and preserve all records necessary to a full and accurate knowledge of their official activities.

**Condition:** The District did not always retain documentation to support credit card charges.

**Cause:** Personnel turnover.

**Possible Effect:** The District is not in compliance with Minnesota Statutes.

**Recommendation:** We recommend Management review adopted record retention schedules prior to dispose of government records.

**Management Response:** Management agrees and will exercise due care when disposing of records.

**BOIS DE SIOUX WATERSHED DISTRICT, WHEATON, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
DECEMBER 31, 2017**

**Minnesota Legal Compliance Findings (Continued):**

**FINDING: 2017-007 Public Purpose**

**Criteria:** In order for an expenditure of public funds to represent a lawful expenditure a public purpose for the expenditure must exist.

**Condition:** The District covered the cost of meals for a spouse at a conference totaling \$75 and baby clothing totaling \$43 which is not deemed to serve a public purpose.

**Cause:** Personnel turnover.

**Possible Effect:** The District is not in compliance with Minnesota Statutes.

**Recommendation:** We recommend management implement procedures to ensure all expenditures serve a public purpose.

**Management Response:** Management agrees and will implement review procedures to ensure all expenditures serve a public purpose.

Board of Managers  
Bois de Sioux Watershed District  
Wheaton, Minnesota

We have audited the financial statements of each major fund of the Bois de Sioux Watershed District (the District) as of and for the year ended December 31, 2017, and have issued our report thereon dated March 6, 2018. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Bois de Sioux Watershed District are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2017.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

##### *Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties encountered in performing the audit***

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

***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

***Corrected misstatements***

The following material misstatement detected as a result of audit procedures was corrected by management:

- An adjustment was proposed and subsequently recorded in the amount of \$13,350 to move beaver nuisance costs from the general fund to the ditch fund.

***Disagreements with management***

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

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated March 6, 2018.

***Management consultations with other independent accountants***

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

***Significant issues discussed with management prior to engagement***

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

***Other audit findings or issues***

We have provided a separate letter to you dated March 6, 2018, communicating internal control related matters identified during the audit.

***Other information in documents containing audited financial statements***

With respect to the statement of cash receipts, disbursements, and changes in cash fund balance – general fund and the combining statement of cash receipts, disbursements, and changes in cash fund balance – ditch special revenue fund (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting practices prescribed or permitted by the Office of the State Auditor of the State of Minnesota, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of

**Other information in documents containing audited financial statements**

the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated March 6, 2018.

The schedule of accounts payable and schedule of accounts receivable accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

\* \* \*

This communication is intended solely for the information and use of the Board of Managers and management of the Bois de Sioux Watershed District and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
March 6, 2018