

**OLMSTED SOIL AND WATER
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

DECEMBER 31, 2018

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Olmsted Soil and Water Conservation District
Rochester, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Olmsted Soil and Water Conservation District, Rochester, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Olmsted Soil and Water Conservation 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Olmsted Soil and Water Conservation District as of December 31, 2018, and the respective changes in financial position for the governmental activities and the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 and the budgetary comparison statement on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2019, on our consideration of the Olmsted Soil and Water Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Olmsted Soil and Water Conservation District's internal control over financial reporting and compliance.

Peterson Company Ltd

PETERSON COMPANY LTD
Certified Public Accountants
Waconia, Minnesota

August 16, 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OLMSTED SOIL AND WATER CONSERVATION DISTRICT
DECEMBER 31, 2018**

The Olmsted Soil and Water Conservation District's (SWCD) discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements (beginning on page 7).

FINANCIAL HIGHLIGHTS

As of December 31, 2018, Olmsted SWCD's assets exceeded liabilities by \$210,570 (total net position). Of the total assets \$210,570 represents unrestricted net position that may be used to meet Olmsted SWCD operations.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 7 and 8) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's general fund. Since Districts are single-purpose, special-purpose government units, the District combines the government-wide and fund financial statements into a single presentation.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

Analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position — the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the District presents governmental activities. All of the District's basic services are reported here. Appropriations from the county and state finance most activities.

REPORTING THE DISTRICT'S GENERAL FUND

The fund financial statements provide detailed information about the general fund—not the District as a whole. The District presents only a general fund, which is a governmental fund. All of the District's basic services are reported in the general fund, which focuses on how money flows into and out of the fund and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

THE DISTRICT AS A WHOLE

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

Table 1

Net Position:

	Governmental Activities	
	2018	2017
Current Assets	\$ 416,787	\$ 594,097
Total Assets	<u>\$ 416,787</u>	<u>\$ 594,097</u>
Current Liabilities	\$ 206,217	\$ 405,034
Total Liabilities	<u>\$ 206,217</u>	<u>\$ 405,034</u>
Unrestricted	\$ 210,570	\$ 189,063
Total Net Position	<u>\$ 210,570</u>	<u>\$ 189,063</u>

Net position of the District's governmental activities increased by \$21,507 or 11.37%. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from \$189,063 at December 31, 2017 to \$210,570 at December 31, 2018.

Table 2
Change in Net Position:

<u>Revenues</u>	Governmental Activities	
	2018	2017
Intergovernmental	\$ 572,973	\$ 767,549
Charges for Services	56,371	57,330
Interest Earnings	7,962	1,683
Miscellaneous	55,831	20,166
Total Revenues	<u>\$ 693,137</u>	<u>\$ 846,728</u>
<u>Expenses</u>		
Conservation	\$ 671,630	\$ 822,985
Total Expenses	<u>\$ 671,630</u>	<u>\$ 822,985</u>
Increase (decrease) in Net Position	<u>\$ 21,507</u>	<u>\$ 23,743</u>

The District's total revenues decreased by \$153,591 or 18.14%. Intergovernmental Revenues decreased overall by \$194,576 or 25.35%. State Grant revenues decreased by \$191,676 in 2018 versus 2017, as fewer conservation projects were completed. County revenues decreased by \$2,900, and Other Governmental revenues increased by \$35,665. There were no Federal revenues in 2018. Charges for Services decreased by \$959 and Interest earnings increased by \$6,279.

The total cost of all programs and services decreased by \$151,355 or approximately 18.39%. District operations increased in 2018 by \$88,455 or approximately 21.59% largely due to increase in charges for financial support and technology services, which had been offset in previous years by credits available from grants. Contracted personnel services increased \$50,111 or 15.00%, of this amount, \$19,054 was due to salary and benefit increases for district personnel and \$31,057 was for salary and benefits for the Ag Certainty program staff person. The expenses for the Ag Certainty program are fully reimbursed by a state grant. District project expenses increased \$2,109, approximately 15.54%, while state project expenses decreased by \$241,919 or 60.51% due to the completion of large-dollar projects in 2017 and prior.

The District had budgeted for using up to \$40,902 of reserves in 2018. However, decreases in State Grant revenues and a corresponding decrease in project expenditures resulted in an overall net position increase of \$21,507.

Governmental Activities

Overall, the District's governmental program revenues decreased from \$767,549 in 2017 to \$572,973 in 2018. The cost of all governmental activities were \$822,985 in 2017 compared to \$671,630 in 2018. The District was able to cover all governmental program expenses with government program revenues and general revenues combined, and realized an increase to net position of \$21,507.

THE DISTRICT'S GENERAL FUND

As the District completed the year, its general fund as presented in the balance sheet reported a fund balance of \$210,570, which is above last year's total of \$189,063.

General Fund Budgetary Highlights

The District's Original and Final budgets are reflected in the statement on page 14.

The most significant change in 2018 budget projection was in District's State Grant revenues where the District received \$96,934 less in state project revenues than anticipated, and state project expenses were also \$78,717 less. State project revenues and the corresponding expenses are difficult to budget, because these projects are completed over several years the timing of the revenues and expenses cannot be accurately budgeted in a specific year. County revenues received were equal to budgeted amounts. Charges for services showed a \$13,671 increase compared to budgeted revenues due to a change in the way certain revenues are classified.

For 2018 total expenditures of \$671,630 were \$92,279 less than the budgeted projection of \$763,909. Total District operations were under budget by \$26,842 due primarily to savings on other services and charges and supplies. State project expenses were \$67,117 under budget due to fewer than anticipated projects and District project expenditures were \$15,680, which was \$1,680 over the budgeted amount of \$14,000.

The District anticipated using up to \$40,902 in reserves in 2018 which would have been reflected in a decrease in unrestricted net position. The District was able to overcome this deficit with a surplus of \$21,507. Overall, unrestricted net position increased by \$21,507 in 2018.

CAPITAL ASSETS

The District does not have Capital Assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2018 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Olmsted Soil and Water Conservation District at 2122 Campus Drive SE, Suite 200, Rochester, MN 55904 or call 507-328-7070.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT
ROCHESTER, MINNESOTA
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2018**

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 397,048	\$ -	\$ 397,048
Accounts Receivable	48	-	48
Due from Other Governments	16,691	-	16,691
Prepaid Expenses	3,000	-	3,000
Total Assets	<u>\$ 416,787</u>	<u>\$ -</u>	<u>\$ 416,787</u>
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 17,401	\$ -	\$ 17,401
Due to Other Governments	24,227	-	24,227
Deposits on Sales	3,528	-	3,528
Unearned Revenue	161,061	-	161,061
Total Liabilities	<u>\$ 206,217</u>	<u>\$ -</u>	<u>\$ 206,217</u>
Fund Balance/Net Position			
Fund Balance			
Nonspendable - Prepays	\$ 3,000	\$ (3,000)	\$ -
Unassigned	207,570	(207,570)	-
Total Fund Balance	<u>\$ 210,570</u>	<u>\$ (210,570)</u>	<u>\$ -</u>
Net Position			
Unrestricted		\$ 210,570	\$ 210,570
Total Net Position		<u>\$ 210,570</u>	<u>\$ 210,570</u>

Notes are an integral part of the basic financial statements.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT
ROCHESTER, MINNESOTA
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 572,973	\$ -	\$ 572,973
Charges for Services	56,371	-	56,371
Interest Earnings	7,962	-	7,962
Miscellaneous	55,831	-	55,831
Total Revenues	<u>\$ 693,137</u>	<u>\$ -</u>	<u>\$ 693,137</u>
Expenditures/Expenses			
Conservation			
Current	\$ 671,630	\$ -	\$ 671,630
Total Expenditures/Expenses	<u>\$ 671,630</u>	<u>\$ -</u>	<u>\$ 671,630</u>
Excess of Revenues Over (Under) Expenditures/Expenses	\$ 21,507	\$ -	\$ 21,507
Fund Balance/Net Position January 1	<u>\$ 189,063</u>	<u>\$ -</u>	<u>\$ 189,063</u>
Fund Balance/Net Position December 31	<u>\$ 210,570</u>	<u>\$ -</u>	<u>\$ 210,570</u>

Notes are an integral part of the basic financial statements.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 1 – Summary of Significant Accounting Policies

The financial reporting policies of the Olmsted Soil and Water Conservation District conform to generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

Financial Reporting Entity

The Olmsted Soil and Water Conservation District is organized under the provisions of Minnesota Statutes Chapter 103C. The District is governed by a Board of Supervisors composed of five members nominated by voters of the District and elected to four-year terms by the voters of the County.

The purpose of the District is to assist land occupiers in applying practices for the conservation of soil and water resources. These practices are intended to control wind and water erosion, pollution of lakes and streams, and damage to wetlands and wildlife habitats.

The District provides technical and financial assistance to individuals, groups, districts, and governments in reducing costly waste of soil and water resulting from soil erosion, sedimentation, pollution and improper land use.

Each fiscal year the District develops a work plan which is used as a guide in using resources effectively to provide maximum conservation of all lands within its boundaries. The work plan includes guidelines for employees and technicians to follow in order to achieve the District's objectives.

The District is not considered a part of Olmsted County because it does not retain control over the operations of the District. On January 1, 2003 an agreement between Olmsted Soil and Water Conservation District and Olmsted County was implemented. The agreement transferred all assets and employees to the County. The County is the fiscal agent for the District and contracts all personnel services with the District. Olmsted County is responsible for reporting all pension liabilities and compensated absences for the district's contracted personnel.

Generally accepted accounting principles require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principles the District does not have any component units.

Government-Wide Financial Statements

The government-wide financial statements (i.e. The Statement of Net Position and The Statement of Activities) report information on all of the nonfiduciary activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

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

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Fund Financial Statements

The government reports the General Fund as its only major governmental fund. The general fund accounts for all financial resources of the government.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period.

Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures are recorded when a liability is incurred under accrual accounting.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred.

Interest earnings are recognized when earned. Other revenues are recognized when they are received in cash because they usually are not measurable until then.

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

Budget Information

The District adopts an estimated revenues and expenditures budget for the general fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require Board approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect: the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities, and Net Position

Assets

Cash is stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis and short-term money market investments, which are stated at amortized cost.

Receivables are collectible within one year.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Prepaid expenses are for items that will provide future benefit over the next twelve months.

Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments; and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or investment in capital assets.

Classifications of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the General Fund. The classifications are as follows:

Nonspendable – the non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation.

Committed – the committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – amounts in the assigned fund balance classification the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or the Board Administrator who has been delegated that authority by Board resolution.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other fund balance classifications.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the restricted fund balance classifications could be used.

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through August 16, 2019, the date the financial statements were available to be issued.

Risk Management

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty liabilities and workers' compensation are insured through Olmsted County. The District retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 2 – Detailed Notes

Capital Assets

The District has no capital assets per the service agreement between the County of Olmsted and the District dated December 5, 2002.

Unearned Revenue

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the year ended December 31, 2018, consists of the following: Conservation Delivery \$21,754; Local Capacity \$73,458; BWSR State Cost Share \$41,152; JPB Feedlot RCPP \$5,732; SEMNWRB – MNWQCP \$4,130; Buffer \$14,835; Total \$161,061.

Deposits

All District funds are on deposit with Olmsted County, per the service agreement between Olmsted County and Olmsted Soil and Water Conservation District dated December 5, 2002. Olmsted County shall serve as fiscal agent for the District and maintain all funds in segregated accounts. Olmsted County's cash and investment policies are followed. Minnesota Statutes require that all County deposits be protected by insurance, surety bond, or collateral.

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 3 – Defined Benefit Pension Plan

The District does not employ staff, per the staff agreement between the County of Olmsted and the Olmsted Soil and Water Conservation District dated December 5, 2002, where District employees became employees of Olmsted County effective January 1, 2003. Olmsted County is responsible for pension plans for the District’s contract staff.

Note 4 – Operating Leases

The District leases office space on a yearly basis. Under the current agreement total costs for 2018 were \$20,767.

Note 5 – Commitments and Contingencies

The District is not aware of any existing or pending lawsuits, claims or other actions in which the District is a defendant.

Note 6 – Reconciliation of Fund Balance to Net Position

Governmental Fund Balance, January 1	\$	189,063
Plus: Excess of Revenues Over Expenditures		21,507
Governmental Fund Balance, December 31	\$	<u>210,570</u>
 Net Position	 \$	 <u>210,570</u>

Note 7 – Reconciliation of Change in Fund Balance to Change in Net Position

Change in Fund Balance	\$	<u>21,507</u>
Change in Net Position	\$	<u>21,507</u>

**OLMSTED SOIL AND WATER CONSERVATION DISTRICT
ROCHESTER, MINNESOTA
BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018**

	Original/ Final Budget	Actual	Variance With Final Budget Positive (Neg)
Revenues			
Intergovernmental			
County	\$ 286,094	\$ 286,094	\$ -
State Grant	383,813	286,879	(96,934)
Total Intergovernmental	<u>\$ 669,907</u>	<u>\$ 572,973</u>	<u>\$ (96,934)</u>
Charges for Services	<u>\$ 42,700</u>	<u>\$ 56,371</u>	<u>\$ 13,671</u>
Miscellaneous			
Interest Earnings	\$ 400	\$ 7,962	\$ 7,562
Other	10,000	55,831	45,831
Total Miscellaneous	<u>\$ 10,400</u>	<u>\$ 63,793</u>	<u>\$ 53,393</u>
Total Revenues	<u>\$ 723,007</u>	<u>\$ 693,137</u>	<u>\$ (29,870)</u>
Expenditures			
District Operations			
Personnel Services	\$ 377,410	\$ 384,259	\$ (6,849)
Other Services and Charges	133,399	112,799	20,600
Supplies	2,500	1,009	1,491
Total District Operations	<u>\$ 513,309</u>	<u>\$ 498,067</u>	<u>\$ 15,242</u>
Project Expenditures			
District	\$ 14,000	\$ 15,680	\$ (1,680)
State	236,600	157,883	78,717
Total Project Expenditures	<u>\$ 250,600</u>	<u>\$ 173,563</u>	<u>\$ 77,037</u>
Total Expenditures	<u>\$ 763,909</u>	<u>\$ 671,630</u>	<u>\$ 92,279</u>
Excess of Revenues Over (Under)			
Expenditures	\$ (40,902)	\$ 21,507	\$ 62,409
Fund Balance - January 1	<u>\$ 189,063</u>	<u>\$ 189,063</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 148,161</u></u>	<u><u>\$ 210,570</u></u>	<u><u>\$ 62,409</u></u>

Notes are an integral part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Supervisors
Olmsted Soil and Water Conservation District
Rochester, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities and the general fund of Olmsted Soil and Water Conservation District of Rochester, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Olmsted Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated August 16, 2019.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the District is not allowed to collect taxes.

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

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

Peterson Company Ltd

PETERSON COMPANY LTD
Certified Public Accountants
Waconia, Minnesota

August 16, 2019

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

To the Board of Supervisors
Olmsted Soil and Water Conservation District
Rochester, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Olmsted Soil and Water Conservation District, Rochester, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Olmsted Soil and Water Conservation District's basic financial statements, and have issued our report thereon dated August 16, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Olmsted Soil and Water Conservation 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*.

Purpose of this Report

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

Peterson Company Ltd

PETERSON COMPANY LTD
Certified Public Accountants
Waconia, Minnesota

August 16, 2019