



# BELLE CREEK WATERSHED DISTRICT

## Board Members

President	Les Kylo, 14414 County 50 Blvd, Goodhue 55027
Treasurer	James Hedeem, 15478 Norelius Road, Welch 55089
Secretary	Steve McNamara, 34699 165 <sup>th</sup> Ave. Way Goodhue 55027

## 2016 Belle Creek Watershed District Annual Report

In 2016, the Belle Creek Watershed District (BCWD) held 3 public meetings, worked with local contractors, landowners and government units to implement watershed plan elements. Below is a list of proposed activities that are identified in the BCWD 5 year plan as adopted in the 2011 Watershed Management Plan. Items highlighted in red were executed in the 2016 calendar year. The attached pages also provide information on the BCWD financial statements and maintenance and construction reports for the structures this year.

### 2016

- Spring-Host open house-Discuss past year's project accomplishments and discuss prioritization of objectives for the coming year. *The BCWD Board met on May 18<sup>th</sup> 2016 to conduct a short watershed structure tour with SWCD staff, discuss upcoming projects in 2016, reviewed and signed 2015 annual report, finalized easement on McNamara structure.*
- Fund a project that is in the implementation plan and that was set as a priority during the spring meeting (*see attached To-Do list*)
  - *Repair of R-9 outlet. With technical assistance from NRCS, grout was mixed and installed between the settling bed and the outlet pipe in order to continue to provide support. This joint will be monitored closely over the new few years to make sure it is not subsiding.*
  - *SWCD Staff and NRCS completed a sediment survey within R-4 pool area.*
  - *Signed resolution supporting 1W1P efforts in the Cannon River Watershed.*
  - *Signed MOA for Planning the 1W1P in the Cannon River Watershed.*
  - *Staff developed easement language between two landowners that share the BCWD legal access to R-1. A finalized BCWD access easement was recorded at the Courthouse granting us defined access off Co Rd 8.*
  - *Mechanical vegetation maintenance on portions of structures R1 and R2.*
  - *Started research on new accounting agency to conduct annual audit. The information being provided in the past by the County and by Flad Inc is no longer adequate for State requirements.*
- Conduct Watershed tour with local/state/federal agency for structure inspection and maintenance needs. *May 18<sup>th</sup> 2016 (NRCS was not present on this tour, however NRCS Engineer Tech was on site during R-9 repair)*
- Select item(s) from Implementation Plan to accomplish in 2017 with funds available.
  - *Continue to work on easement descriptions and update language.*
  - *Install Secondary trash guard on S-3*
  - *Waterway crossing for Ryan easement*
  - *Continued vegetation management on structures. Mechanically remove vegetation from all of R-4 structure, R-1 and R-2. Wild Parsnip infestation is becoming a major issue on a number of our structures.*
- August-Set BCWD levy for 2017. *On August 31<sup>st</sup> 2016, the BCWD Board approved a levy of \$22,000 for 2017. This levy amount is the same as the past few years.*

Please contact Beau Kennedy @ Goodhue County SWCD 651-923-5286 with questions regarding this report.

Sincerely,

Chairman

Belle Creek Watershed District

**2015/2016 Todo List following September 2nd 2015 meeting**

	Contact	Comments
install secondary trash guard at duncans	sm	moved to 2016
Concrete-grout McNamara Girdle	bk, eng, sm	moved to 2016
draft easement description Hokanson	bk	moved to 2016
draft easement description McNamara	bk	County Description Dec 2015
research CD options	BK	
tree removal of Otterness: outlet and N side of structure. Spray parsnip N side. 2016		moved to 2016
tree removal on Scheffler S side of dam and weed control June 2016	bk	moved to 2016
survey sediment pool on Lindell then Otterness	bk,ch,pf	moved to 2016
generate sign information for cannon valley trail kiosk	bk	started project Nov.2015- to be completed winter 2016

**2016 Todo list following Dec 4th 2015 meeting (in order of importance)**

	Contact	Comments
Concrete-grout McNamara Girdle	SM	completed June 30th 2016
install secondary trash guard at duncans	SM	moved to 2017
tree removal of Otterness: outlet and N side of structure. Spray parsnip N side. 2016	SM/Hire	mowed 75% of structure April 2016 and tree removal in Aug 2016
McNamara Dam easement completion	BK	completed spring 2017
McNamara Dam waterway crossing - construct	BK	12/4/15.spoke w/Dan Ryan- interested in low ford x-ing & vacate old easement
survey sediment pool on Lindell then Otterness	bk,ch,Amy	Completed 8/30/16-NRCS report out in Dec2016
draft easement description Hokanson	bk	Fall 2016 County development
educate new duncan owners on BC	BK	6/stopped by and talked to Justin? Told him about easement and maintenance.
generate sign information for cannon valley trail kiosk	bk	completed summer 2016-Historical Soc. Took it over.
tree removal on Scheffler S side of dam and weed control June 2016	bk	moved to 2017
Letter to Chris Hokason from BCWD allowing grazing on R-5	bk/TS	as needed
Fall tour with NRCS and DNR?	BK	completed spring 2017
Survey Otterness site for property boundary	BK/co	
		2017



To: Beau Kennedy, Goodhue County SWCD  
From: Amy Dessner, Area 6 NRCS  
Date: November 29, 2016  
Re: Belle Creek Structure R-4 Sediment Estimation

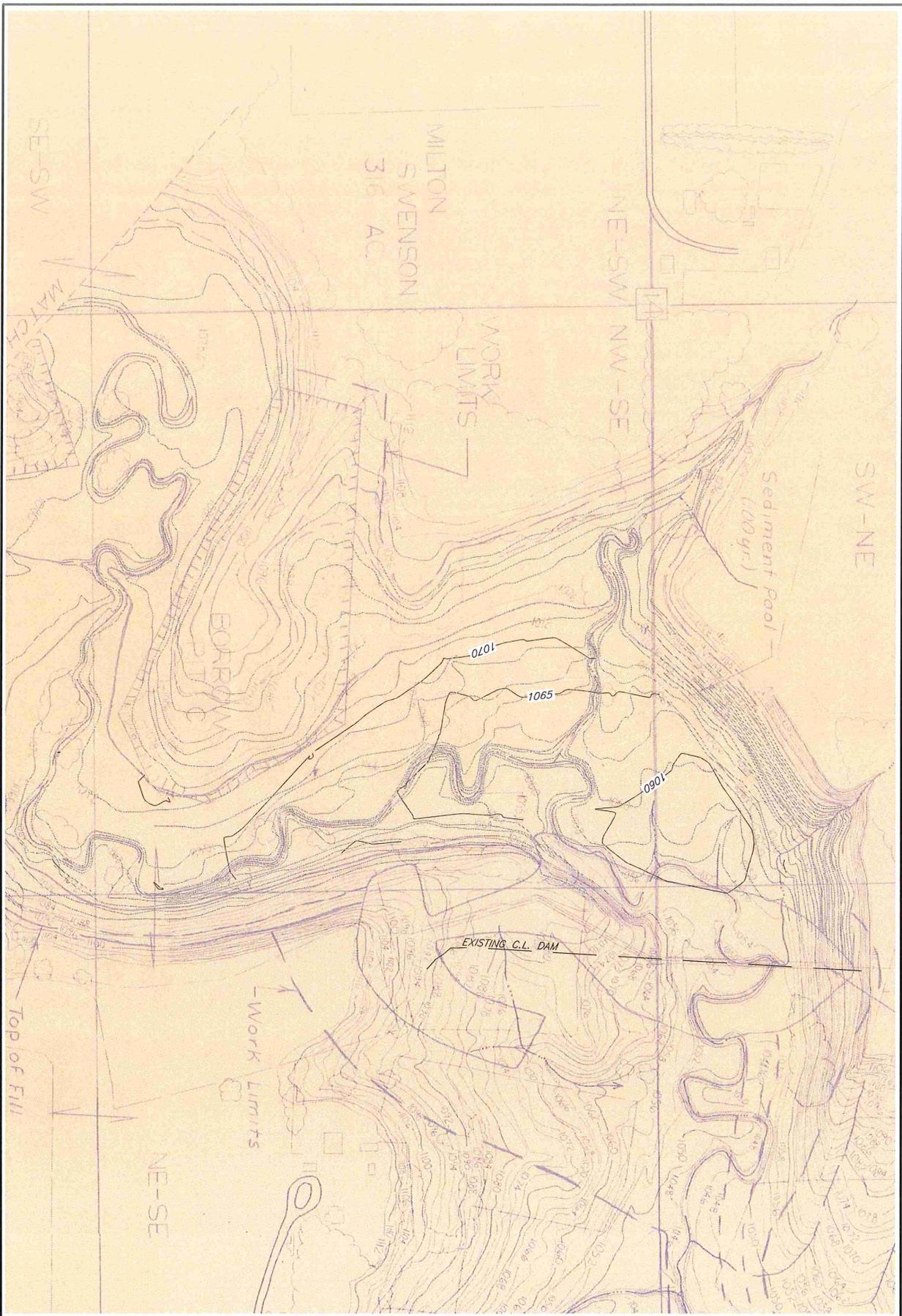
Using survey data from our site visits in February and August of 2016, I created a contour map to represent the existing bottom of pool. On a scaled image of the Land Rights Work Map from 1973 I traced the contours from the original survey to recreate the pre-construction topography. Using the pool edge as a boundary and excluding Borrow Pit C, the volume difference between the two surfaces is 43,577 cubic feet or 27 acre-feet.

With construction completed in 1977, the dam has been in place for 39 years. The design data is:

Sediment Capacity (acre-feet)

Submerged, first 50 years	103
Submerged, second 50 years	18
Aerated	70

This sediment survey is approximate. The GPS survey was checked with a temporary benchmark on the concrete inlet structure and did not reference any permanent benchmarks or monuments. Adjustments were made to the survey data to resolve a 1 to 2 foot discrepancy between the winter survey through ice with the depth finder and the summer survey out of the canoe. Sediment which has accumulated above the water level (elev. 1073) or in the temporary pool area is not included in these calculations.




 United States  
 Department of  
 Agriculture  
  
 Natural Resources  
 Conservation Service

Belle Creek Watershed  
 Structure R4  
 Sediment Survey  
  
 Goodhue County, Minnesota

Designed _____	Date _____
Drawn <u>A. Dessner</u>	<u>11/16</u>
Checked _____	_____
Approved _____	_____

File Name  
 Res4/17/16.dwg  
 E79r\_j06\_d155  
 11/29/2016  
 Sheet 1 of 1

Belle Creek Watershed

Structure R-9 Repair

Monday, August 19, 2016

Amy Dessner, Engineer, Rochester met with Matt McNamara, contractor hired by Belle Creek Watershed District, on site at 2:30 p.m. Weather was sunny, hot and muggy, around 85 degrees. He mixed commercial grade Quikrete, Mason Mix, Type S mortar according to manufacturer's recommendations. Material was added to voids under conduit and between bedding sections, rodded and placed until no open space remained. Work was complete at 3:30.



Figure 1: Placing mortar under LDS half of pipe.

**BELLE CREEK WATERSHED DISTRICT**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
Belle Creek Watershed District  
Welch, Minnesota

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 the Belle Creek Watershed District as of December 31, 2016, and the respective changes in financial position for 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*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2017, on our consideration of the Belle Creek 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 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 Belle Creek Watershed District's internal control over financial reporting and compliance.

*Peterson Company Ltd*

PETERSON COMPANY LTD.  
Certified Public Accountants  
Waconia, Minnesota

July 19, 2017

**BELLE CREEK WATERSHED DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 275,143
Total Current Assets	275,143
Capital Assets Net of Accumulated Depreciation	378,551
Total Assets	\$ 653,694
Net Position:	
Unrestricted	\$ 653,694
Total Net Position	\$ 653,694

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

**BELLE CREEK WATERSHED DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities 2016</u>
Governmental activities:					
General government	\$ 9,554	\$ -	\$ 22,206	\$ -	\$ 12,652
Programs	4,891	-	-	-	(4,891)
Total governmental activities	<u>\$ 14,445</u>	<u>\$ -</u>	<u>\$ 22,206</u>	<u>\$ -</u>	<u>\$ 7,761</u>
General Revenues:					
Unrestricted investment earnings					\$ 1,197
Total general revenues					<u>\$ 1,197</u>
Change in net position					<u>\$ 8,958</u>
Net position - January 1					<u>\$ 644,736</u>
Net position - December 31					<u>\$ 653,694</u>

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

**BELLE CREEK WATERSHED DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2016**

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 275,143
Capital assets net of accumulated depreciation	<u>378,551</u>
Total Assets	<u><u>\$ 653,694</u></u>
Fund balance:	
Unassigned	<u>\$ 653,694</u>
Total fund balance	<u>653,694</u>
Total liabilities and fund balance	<u><u>\$ 653,694</u></u>
Fund balance reported above	\$ 653,694
Adjustments	-
Net position of governmental activities	<u><u>\$ 653,694</u></u>

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

**BELLE CREEK WATERSHED DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR-ENDED DECEMBER 31, 2016**

	General Fund
Revenues:	
Intergovernmental	\$ 22,206
Interest income	1,197
Total revenues	23,403
Expenditures:	
Current:	
General government:	
Administrative	1,295
Insurance	7,859
Professional fees	400
Program expenditures	4,891
Total expenditures	14,445
Revenues over (under) expenditures	8,958
Fund balance - January 1	644,736
Fund balance - December 31	\$ 653,694
Revenues over (under) expenditures reported above	\$ 8,958
Adjustments	-
Change in net position of governmental activities	\$ 8,958

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

**BELLE CREEK WATERSHED DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**Note 1 - Summary of Significant Accounting Policies**

Belle Creek Watershed District was established by a Joint Powers Agreement in 1968 between the townships of Belle Creek, Cannon Falls, Leon, Minneola, Vasa and Wanamingo. The District was formed to meet the requirements of Minnesota Statutes 103D.

The purpose of the District is to:

- ) Protect, preserve, and use natural surface and groundwater storage and retention systems.
- ) Minimize public capital expenditures needed to correct flooding and water quality problems.
- ) Identify and plan for the means to effectively protect and improve surface and groundwater quality.
- ) Establish more uniform local policies and official controls for surface and groundwater management.
- ) Prevent erosion of soil into surface water systems.
- ) Promote groundwater recharge.
- ) Protect and enhance fish and wildlife habitat and water recreational facilities.
- ) Secure the other benefits associated with the proper management of surface and groundwater.

The District comprises 52,790 acres, and includes all or part of the cities of Belle Creek, Cannon Falls, Leon, Minneola, Vasa and Wanamingo.

The District is governed by a three member Board of Managers. The Board consists of three representatives of the District.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to government units by the Governmental Accounting Standards Board (GASB).

**Financial Reporting Entity**

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 Fund Financial Statements**

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

**BELLE CREEK WATERSHED DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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 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.

Basis of Accounting and Financial Statement Presentation

The District 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 generally are recorded when a liability is incurred, as under accrual accounting.

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

Assets, Liabilities and Net Position

Assets

Cash and cash equivalents are 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.

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

Capital assets are reported on a net (depreciated) basis. General capital assets are valued at historical or estimated historical cost.

Liabilities

Unearned revenue is reported in connection with resources that have been received, but not yet earned.

**BELLE CREEK WATERSHED DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

Classification of Net Position

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

Investment in capital assets – the amount of net position representing capital assets net of accumulated depreciation.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, 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 nonspendable 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 District. Those committed amounts cannot be used for any other purposes unless the District 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 District or the District Administrator who has been delegated that authority by District 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.

**BELLE CREEK WATERSHED DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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.

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 unrestricted fund balance classifications could be used.

**Note 2 - Detailed Notes**

Deposits

Minnesota Statutes 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. When not covered by insurance or surety bonds, the market value of collateral pledged shall be at least ten percent more than the amount on deposit (plus accrued interest) at the close of the financial institution's banking day.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2016, the District's deposits were not exposed to custodial credit risk.

Capital Assets

The cost of equipment is depreciated over the estimated useful lives of the related assets. As of December 31, 2016, the District did not have any equipment being depreciated. The land reported is listed at historical cost of \$378,551.

**BELLE CREEK WATERSHED DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**Note 3 - Member Contributions**

In accordance with the provisions of the Joint Powers Agreement, members agreed to contribute each year to the General Fund. Each member's percentage share is based on an average of the following two percentages:

- (1) The percentage of the total assessed valuation of all real property within the District which lies within the member's boundaries; and
- (2) The percentage of the total area within the District which lies within the member's boundaries.

For 2016, the District assessed the members \$21,244 in member contributions.

**Note 4 - Risk Management**

The District is exposed to various risks of loss for which the District carries commercial insurance policies.

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

**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.

## MINNESOTA LEGAL COMPLIANCE REPORT

Board of Supervisors  
Belle Creek Watershed District  
Welch, 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 Belle Creek Watershed District of Welch, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Belle Creek Watershed District's basic financial statements, and have issued our report thereon dated July 19, 2017.

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, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness because the District is not allowed to issue debt.

In connection with our audit, nothing came to our attention that caused us to believe that the Belle Creek Watershed 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 Belle Creek Watershed 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

July 19, 2017

**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**

Board of Supervisors  
Belle Creek Watershed District  
Welch, 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 of Belle Creek Watershed District, Welch, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Belle Creek Watershed District's basic financial statements, and have issued our report thereon dated July 19, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Belle Creek Watershed 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 Belle Creek Watershed District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Belle Creek Watershed 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 a 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 Belle Creek 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*.

## **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

July 19, 2017