

YAHARA WATERSHED IMPROVEMENT NETWORK

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2019 AND 2018



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**YAHARA WATERSHED IMPROVEMENT NETWORK
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Yahara Watershed Improvement Network
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Yahara Watershed Improvement Network, (Yahara WINS) which comprises the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yahara WINS as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Yahara WINS’ basic financial statements. The statement of revenues, expenses, and changes in net position – budget to actual are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statement of revenues, expenses, and changes in net position – budget to actual is 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 statement of revenues, expenses, and changes in net position – budget to actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2020, on our consideration of Yahara WINS' 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 Yahara WINS' 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 Yahara WINS' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
August 21, 2020

**YAHARA WATERSHED IMPROVEMENT NETWORK
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
Cash	\$ 1,865,756	\$ 1,398,426
Accounts Receivable	1,482,035	1,506,600
Total Assets	3,347,791	2,905,026
 LIABILITIES		
Accounts Payable	793,744	229,768
Unearned Revenues	1,426,035	1,427,590
Total Liabilities	2,219,779	1,657,358
 NET POSITION		
Unrestricted	\$ 1,128,012	\$ 1,247,668

See accompanying Notes to Financial Statements.

**YAHARA WATERSHED IMPROVEMENT NETWORK
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
OPERATING REVENUES		
Charges for Services	\$ 1,427,590	\$ 1,438,357
OPERATING EXPENSES		
Administrative	82,523	51,626
Phosphorus Reduction	1,301,260	982,175
Water Quality Monitoring or Modeling	167,894	177,020
Total Operating Expenses	1,551,677	1,210,821
OPERATING INCOME/(LOSS)	(124,087)	227,536
NONOPERATING REVENUES (EXPENSES)		
Grants and Contribution	-	115,000
Investment Income	4,431	4,674
Total Nonoperating Revenues (Expenses)	4,431	119,674
CHANGE IN NET POSITION	(119,656)	347,210
Fund Balance - Beginning of Year	1,247,668	900,458
FUND BALANCE - END OF YEAR	\$ 1,128,012	\$ 1,247,668

See accompanying Notes to Financial Statements.

**YAHARA WATERSHED IMPROVEMENT NETWORK
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Member Participants	\$ 1,445,600	\$ 1,449,347
Payments to Suppliers	(987,701)	(1,174,153)
Net Cash Provided by Operating Activities	457,899	275,194
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant and Contribution Receipts	5,000	55,000
Net Cash Provided by Noncapital Financing Activities	5,000	55,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment Receipts	4,431	4,674
Net Cash Provided by Investing Activities	4,431	4,674
NET INCREASE IN CASH AND CASH EQUIVALENTS	467,330	334,868
Cash and Cash Equivalents - Beginning of Year	1,398,426	1,063,558
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,865,756	\$ 1,398,426
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income/(Loss)	\$ (124,087)	\$ 227,536
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:		
Accounts Receivable	19,565	(1,416,600)
Accounts Payable	563,976	36,668
Unearned Receivables	(1,555)	1,427,590
Net Cash Provided by Operating Activities	\$ 457,899	\$ 275,194

See accompanying Notes to Financial Statements.

**YAHARA WATERSHED IMPROVEMENT NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Nature of Activities and Reporting Entity

The Yahara Watershed Improvement Network (Yahara WINS) Group (the Group) is a group formed by an Intergovernmental Agreement pursuant to Wisconsin Statute for the purpose of carrying out water quality improvement initiatives and to conform to Wisconsin Department of Natural Resources and United States Environmental Protection Agency improvement goals for members. It was created by an Intergovernmental Agreement between two municipalities and other local government entities signed in 2016. The Group, which serves the member participants in the Yahara Watershed, is a special-purpose government. The Group is governed by an executive committee, consisting of five members and two advisors. The Madison Metropolitan Sewerage District appoints one representative to serve on the executive council. One of the members of the committee is a representative appointed from one of the members who contributed at least one fifth of the allocated costs per the Intergovernmental Agreement. One member is elected by representatives from each of the members that are either a city or a village by a majority vote. One member will be elected by representatives from each of the members that are a town by a majority vote. The final member is elected by the representatives of all members by a majority vote. Accountability extends only to the appointment of the Group's executive committee members. As the members appoint the executive committee members, the Group and these entities are considered related organizations. The Group is legally separate and fiscally independent of the members. Madison Metropolitan Sewerage District acts as the fiscal agent for the Group. The Group has the right to set rates or charges for services provided without the approval of another government. Also, there are no other agencies or entities which are financially accountable to the executive committee of the Group, or whose relationship with the Group would require their financial statements to be included within the financial statements of the Group.

A summary of significant accounting policies follows:

B. Basis of Accounting

The accounting policies of the Group conform to accounting principles generally accepted in the United States of America as applicable to local government enterprise funds. The accounts of the Group are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, expenses are recognized when incurred, depreciation of assets is recognized, and all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the Group are included in the statements of net position.

The principal operating revenues of the Group are charges for service. Operating expenses for the Group include costs directly related to administration and advancement of improvements in water quality within the Yahara Watershed. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**YAHARA WATERSHED IMPROVEMENT NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Position or Equity

Deposits and Investments

For purposes of the statement of cash flows, the Group considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of the Group's funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank, or trust company authorized to transact business in the state maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The Group has not adopted a formal investment policy. The Group follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

Receivables

Receivables are reported at their gross values and are considered to be fully collectible as they are primarily due from other municipalities and granting agencies. Charges for services billed for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. The Group records a liability for unearned revenue in connection with resources that have been billed or collected, but not yet earned. At December 31, 2019 and 2018, there was \$1,426,035 and \$1,427,590 included in unearned revenues on the statements of net position, respectively. The Group recognizes uncollectable amounts as an administrative expenses in the year the uncollectable amounts is determined. The Group recognized \$50,000 and \$0 of write off of receivables in 2019 and 2018, respectively.

**YAHARA WATERSHED IMPROVEMENT NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Position or Equity (Continued)

Net Position

Net position is classified in three separate categories. The categories, and their general descriptions, are as follows:

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

Restricted Net Position – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally a liability or deferred inflow relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or deferred inflows or if the liability will be liquidated with the restricted assets reported.

Unrestricted Net Position – is the amount of the assets and deferred outflows, net of the liabilities and deferred inflows that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

Risk Management

The Group is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The Group retains the risk of loss for these risks.

Use of Estimates

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

**YAHARA WATERSHED IMPROVEMENT NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits of governmental entities held by an official custodian in banks located in the same state as the governmental entity are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for demand deposits per financial institution above the amount provided by the FDIC. In addition, the state of Wisconsin has a State Guarantee Fund, which provides a maximum of \$400,000 per financial institution above the amount provided by the FDIC. However, due to the relatively small size of the State Guarantee Fund in relation to the total coverage, total recovery of losses may not be available. The bank balance amounted to \$1,865,756 and \$1,484,342 in 2019 and 2018, respectively, with a carrying value of \$1,865,756 and \$1,398,426 in 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018 all deposits were covered by FDIC insurance, State Guarantee Fund or Collateral.

NOTE 3 DEPOSITS AND INVESTMENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Group, COVID-19 may impact various parts of its 2020 operations and financial results. Management believes the Group is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

YAHARA WATERSHED IMPROVEMENT NETWORK
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
OPERATING REVENUE				
Charges for Services	\$ 1,427,590	\$ 1,433,900	\$ 1,427,590	\$ (6,310)
OPERATING EXPENSES				
Administrative	78,500	23,800	82,523	(58,723)
Phosphorus Reduction	1,132,600	1,050,600	1,301,260	(250,660)
Water Quality Monitoring or Modeling	145,000	155,000	167,894	(12,894)
Total Expenditures	<u>1,356,100</u>	<u>1,229,400</u>	<u>1,551,677</u>	<u>(322,277)</u>
OPERATING INCOME/(LOSS)	71,490	204,500	(124,087)	328,587
NONOPERATING REVENUE				
Grants and Contributions	55,000	55,000	-	(55,000)
Investment Income	2,500	2,500	4,431	1,931
Total Revenues	<u>57,500</u>	<u>57,500</u>	<u>4,431</u>	<u>(53,069)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 128,990</u>	<u>\$ 262,000</u>	(119,656)	<u>\$ (381,656)</u>
Fund Balance - Beginning of Year			<u>1,247,668</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,128,012</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 Directors
Yahara Watershed Improvement Network
Madison, Wisconsin

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 Yahara Watershed Improvement Network (Yahara WINS), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Yahara WINS' basic financial statements, and have issued our report thereon dated August 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yahara WINS' 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 Yahara WINS' internal control. Accordingly, we do not express an opinion on the effectiveness of August 21, 2020 Yahara WINS' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yahara WINS' 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Milwaukee, Wisconsin
August 21, 2020