



COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District (the District) for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The District does not have any significant sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Determining sensitivity is subjective, however, we believe the disclosure most likely to be considered sensitive is Note 13 – Subsequent Events and Uncertainties.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements that have an effect on our opinion on the financial statements. The following material misstatement detected as a result of audit procedures was corrected by management: grant revenue was overstated and unearned revenue was understated by \$55,318 relating to the Watershed Based Funding grant.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 21, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the budgetary comparison schedule which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the individual fund financial statements and supplementary financial information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and other information sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on it.

Other Reports

Various reports on compliance and internal controls are contained in the Other Reports section of the audited financial statements document.

Restrictions on Use

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

May 21, 2020

**LOWER MINNESOTA RIVER
WATERSHED DISTRICT**

ANNUAL FINANCIAL REPORT

December 31, 2019

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LOWER MINNESOTA RIVER WATERSHED DISTRICT
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INTRODUCTORY SECTION

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LOWER MINNESOTA RIVER WATERSHED DISTRICT

ORGANIZATION

December 31, 2019

	<u>Term Expires</u>
Board of Managers:	
Jesse Hartman, President	March 2023
Adam Frey, Vice-President	March 2021
David Raby, Secretary/Treasurer	March 2021
Manager - Vacant	
Manager - Vacant	
Attorney - John C. Kolb	
Administrator - Linda Loomis	

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Lower Minnesota River Watershed District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Lower Minnesota River Watershed District's 2018 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated October 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

May 21, 2020

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BASIC FINANCIAL STATEMENTS

LOWER MINNESOTA RIVER WATERSHED DISTRICT

STATEMENT OF NET POSITION

Statement 1

December 31, 2019

With Comparative Totals For December 31, 2018

	Primary Government	
	Governmental Activities	
	2019	2018
Assets:		
Cash and investments	\$2,316,588	\$2,017,329
Property taxes receivable:		
Delinquent	42,371	40,019
Due from county	3,929	9,243
Accounts receivable	-	20,787
Due from other governments	1,000	-
Prepaid items	5,372	6,082
Capital assets - nondepreciable	256,167	256,167
Total assets	<u>2,625,427</u>	<u>2,349,627</u>
Liabilities:		
Accounts payable	64,278	77,847
Due to other governments	3,456	142,378
Unearned revenue	728,359	405,390
Total liabilities	<u>796,093</u>	<u>625,615</u>
Net position:		
Investment in capital assets	256,167	256,167
Unrestricted	1,573,167	1,467,845
Total net position	<u>\$1,829,334</u>	<u>\$1,724,012</u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT

STATEMENT OF ACTIVITIES

Statement 2

For The Year Ended December 31, 2019

With Comparative Totals For The Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges For Services	Operating Grants and Contributions	Primary Government	
				Totals	
				2019	2018
Primary government:					
Governmental activities:					
General government	\$386,552	\$ -	\$ -	(\$386,552)	(\$396,825)
Projects	445,793	19,660	154,988	(271,145)	(298,278)
Total governmental activities	<u>\$832,345</u>	<u>\$19,660</u>	<u>\$154,988</u>	<u>(657,697)</u>	<u>(695,103)</u>
General revenues:					
Property taxes				714,275	719,185
Unrestricted investment earnings				45,037	186,098
Miscellaneous				3,707	4,844
Total general revenues				<u>763,019</u>	<u>910,127</u>
Change in net position				105,322	215,024
Net position - January 1				<u>1,724,012</u>	<u>1,508,988</u>
Net position - December 31				<u>\$1,829,334</u>	<u>\$1,724,012</u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT

BALANCE SHEET

Statement 3

GOVERNMENTAL FUNDS

December 31, 2019

With Comparative Totals For December 31, 2018

	General Fund	Capital Project	Total Governmental Funds	
		Fund	2019	2018
		Nine Foot Channel Fund		
Assets:				
Cash and investments	\$1,964,755	\$351,833	\$2,316,588	\$2,017,329
Property taxes receivable:				
Delinquent	42,371	-	42,371	40,019
Due from county	3,929	-	3,929	9,243
Accounts receivable	-	-	-	20,787
Due from other governments	1,000	-	1,000	-
Prepaid items	5,372	-	5,372	6,082
Total assets	\$2,017,427	\$351,833	\$2,369,260	\$2,093,460
Liabilities:				
Accounts payable	\$60,836	\$3,442	\$64,278	\$77,847
Due to other governments	3,456	-	3,456	142,378
Unearned revenue	456,332	272,027	728,359	405,390
Total liabilities	520,624	275,469	796,093	625,615
Deferred inflows of resources:				
Unavailable revenue	42,371	-	42,371	40,019
Fund balance:				
Nonspendable	5,372	-	5,372	6,082
Assigned	364,700	76,364	441,064	877,880
Unassigned	1,084,360	-	1,084,360	543,864
Total fund balance	1,454,432	76,364	1,530,796	1,427,826
Total liabilities, deferred inflows of resources and fund balance	\$2,017,427	\$351,833	\$2,369,260	\$2,093,460
Fund balance reported above			\$1,530,796	\$1,427,826
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			256,167	256,167
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.			42,371	40,019
Net position of governmental activities			\$1,829,334	\$1,724,012

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

Statement 4

For The Year Ended December 31, 2019

With Comparative Totals For The Year Ended December 31, 2018

	General Fund	Capital Project Fund	Total Governmental Funds	
		Nine Foot Channel Fund	2019	2018
Revenues:				
Property taxes	\$635,420	\$76,503	\$711,923	\$716,590
Intergovernmental	41,203	113,785	154,988	(10,712)
Investment income	38,242	6,795	45,037	186,098
Dredge site income	-	19,660	19,660	30,444
Miscellaneous	3,707	-	3,707	4,844
Total revenues	<u>718,572</u>	<u>216,743</u>	<u>935,315</u>	<u>927,264</u>
Expenditures:				
Engineering services	26,375	116,600	142,975	119,378
Professional services	145,082	30,337	175,419	207,393
Insurance	7,984	1,996	9,980	8,882
Mileage and travel expenses	3,738	850	4,588	3,614
Office expense	23,376	6,086	29,462	34,036
Managers meeting expenses	3,439	689	4,128	3,522
509 planning/projects	431,332	-	431,332	298,610
Cooperative projects	14,461	-	14,461	19,400
Lobbying	16,167	3,833	20,000	20,000
Total expenditures	<u>671,954</u>	<u>160,391</u>	<u>832,345</u>	<u>714,835</u>
Revenues over expenditures	<u>46,618</u>	<u>56,352</u>	<u>102,970</u>	<u>212,429</u>
Other financing sources (uses):				
Transfers in	-	80,000	80,000	50,000
Transfers out	(80,000)	-	(80,000)	(50,000)
Total other financing sources (uses)	<u>(80,000)</u>	<u>80,000</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(33,382)	136,352	102,970	212,429
Fund balance (deficit) - January 1	<u>1,487,814</u>	<u>(59,988)</u>	<u>1,427,826</u>	<u>1,215,397</u>
Fund balance (deficit) - December 31	<u>\$1,454,432</u>	<u>\$76,364</u>	<u>\$1,530,796</u>	<u>\$1,427,826</u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS

Statement 5

For The Year Ended December 31, 2019

With Comparative Totals For The Year Ended December 31, 2018

	<u>2019</u>	<u>2018</u>
Amounts reported for governmental activities in the Statement of Activities (Statement 2) are different because:		
Net changes in fund balance - total governmental funds (Statement 4)	\$102,970	\$212,429
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in unavailable revenue - property taxes	<u>2,352</u>	<u>2,595</u>
Change in net position of governmental activities (Statement 2)	<u><u>\$105,322</u></u>	<u><u>\$215,024</u></u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function 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 revenues*.

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

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

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

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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

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

The District reports the following major governmental funds:

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

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

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

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

D. BUDGETARY DATA

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

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

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

E. CASH AND INVESTMENTS

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

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

F. PREPAID ITEMS

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

G. INVENTORIES

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

H. PROPERTY TAX REVENUE RECOGNITION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

I. CAPITAL ASSETS

Capital assets, which include land, equipment and infrastructure assets, and intangible assets such as easements and computer software, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

K. FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

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

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

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

L. INTERFUND TRANSACTIONS

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

M. USE OF ESTIMATES

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

N. COMPARATIVE TOTALS

The basic financial statements, required supplementary information, individual fund financial statements and supplementary financial information include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Note 2 **DEPOSITS AND INVESTMENTS**

A. DEPOSITS

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

Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Board or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes and treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- d) Unrated general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

- e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and
- f) Time deposits that are fully insured by any federal agency.

The District does not have deposits at December 31, 2019.

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

B. INVESTMENTS

Minnesota Statutes authorize the District to invest in the following:

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

As of December 31, 2019, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Pooled with Carver County	N/A	\$2,316,588

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

C. INVESTMENT RISK

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

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

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates of debt investments could adversely affect the fair value of an investment. The District's investments are pooled with Carver County and follow the County's investment policies.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the District's investment in a single issuer. The District's investments are pooled with Carver County and follow the County's investment policies.

Custodial Credit Risk: For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investment securities that are in the possession of an outside party. As of December 31, 2019, all of the District's investments were pooled with Carver County.

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 3 RECEIVABLES

\$42,000 of delinquent property taxes are not expected to be collected within one year of December 31, 2019.

Note 4 UNAVAILABLE REVENUE

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At December 31, 2019, unavailable revenue reported in the governmental funds was as follows:

	Property Taxes
General Fund	<u>\$42,371</u>

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 12/31/2018	Increases	Decreases	Balance 12/31/2019
Capital assets, not being depreciated:				
Land	<u>\$256,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$256,167</u>

Note 6 OPERATING LEASES

The District has two leases, an equipment lease and a lease for building space. Both leases are month-to-month. Lease expense for 2019 was \$9,817.

Note 7 COMMITMENTS AND CONTINGENCIES

A. COMMITTED CONTRACTS

At December 31, 2019, the District had commitments of \$150,000 for uncompleted contracts. In addition, the District entered into contracts during January 2020 totaling \$453,378.

B. LITIGATION

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

Note 8 INTERFUND TRANSFERS

During 2019, \$80,000 was transferred from the General Fund to the Nine Foot Channel Fund to eliminate the deficit fund balance in the Nine Foot Channel Fund.

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 9 FUND BALANCE - CLASSIFICATIONS

At December 31, 2019, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Nine Foot Channel Fund</u>	<u>Total</u>
Nonspendable:			
Prepaid items	\$5,372	\$ -	\$5,372
Assigned:			
Riley Creek Cooperative Project with RPBCWD	75,000	-	75,000
Eden Prairie Bank Stabilization	8,000	-	8,000
U.S. Geological Survey	19,700	-	19,700
Ravine Stabilization at Seminary Fen in Chaska	20,000	-	20,000
Sustainable Lakes Management Plan (Trout Lakes)	25,000	-	25,000
Geomorphic Assessments (Trout Streams)	31,000	-	31,000
Groundwater Screening Tool Modal	30,000	-	30,000
TH 101 Ravine / Shakopee	35,000	-	35,000
Schroeder's Acres Park/Savage Fen Stormwater Mgmt.	35,000	-	35,000
Dakota County Fen Management Study	25,000	-	25,000
Local Water and Management Plan Reviews	3,000	-	3,000
Project Reviews	15,000	-	15,000
Monitoring	40,000	-	40,000
Ian Clarification and Proposed Rules	3,000	-	3,000
Nine Foot Channel Maintenance	-	76,364	76,364
Unassigned	<u>1,084,360</u>	<u>-</u>	<u>1,084,360</u>
Total	<u>\$1,454,432</u>	<u>\$76,364</u>	<u>\$1,530,796</u>

Note 10 RISK MANAGEMENT

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

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 11 CLEAN WATER ASSISTANCE GRANT

In 2013, the District entered into a grant agreement through June 30, 2016 for \$220,800 for clean water assistance. The District recorded the first \$110,400 as revenue when received in March 2013, and the second \$110,400 was recorded in May 2016 when the project was complete. As of December 31, 2018, the District was notified that the grant was revoked and the second \$110,400 would not be received, resulting in negative grant revenue in the general fund of \$104,900 for 2018.

Note 12 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) recently approved several statements which were not required to be implemented for these financial statements. Only Statement No. 87 *Leases* is expected to be applicable. This statement will be effective for the District's fiscal year ending December 31, 2022.

Note 13 SUBSEQUENT EVENTS AND UNCERTAINTIES

The COVID-19 pandemic continues to cause rapidly changing disruptions worldwide. Management has evaluated these conditions and believes that it is not possible to reasonably estimate the financial impact, if any, of COVID-19 on the District's financial statements at December 31, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER MINNESOTA RIVER WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 6

	2019		Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Revenues:					
Property taxes	\$632,500	\$632,500	\$635,420	\$2,920	\$667,155
Intergovernmental	5,500	5,500	41,203	35,703	(104,900)
Investment income	-	-	38,242	38,242	152,701
Miscellaneous	-	-	3,707	3,707	4,844
Total revenues	<u>638,000</u>	<u>638,000</u>	<u>718,572</u>	<u>80,572</u>	<u>719,800</u>
Expenditures:					
Engineering services	16,000	16,000	26,375	(10,375)	37,403
Professional services	123,285	123,285	145,082	(21,797)	158,788
Insurance	8,145	8,145	7,984	161	7,106
Mileage and travel expenses	6,400	6,400	3,738	2,662	2,891
Office expense	22,320	22,320	23,376	(1,056)	28,025
Managers meeting expenses	10,400	10,400	3,439	6,961	2,818
509 planning/projects	677,555	677,555	431,332	246,223	298,610
Cooperative projects	19,700	19,700	14,461	5,239	19,400
Lobbying	13,450	13,450	16,167	(2,717)	16,000
Total expenditures	<u>897,255</u>	<u>897,255</u>	<u>671,954</u>	<u>225,301</u>	<u>571,041</u>
Revenue over (under) expenditures	(\$259,255)	(\$259,255)	46,618	\$305,873	148,759
Other financing sources (uses):					
Transfers out	-	-	(80,000)	(80,000)	(50,000)
Net change in fund balance	<u>(\$259,255)</u>	<u>(\$259,255)</u>	(33,382)	<u>\$225,873</u>	98,759
Fund balance - January 1			<u>1,487,814</u>		<u>1,389,055</u>
Fund balance - December 31			<u>\$1,454,432</u>		<u>\$1,487,814</u>

Note to RSI:

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

INDIVIDUAL FUND FINANCIAL STATEMENTS

LOWER MINNESOTA RIVER WATERSHED DISTRICT

COMPARATIVE BALANCE SHEET

Statement 7

GENERAL FUND

December 31, 2019

With Comparative Totals For December 31, 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and investments	\$1,964,755	\$1,652,476
Property taxes receivable:		
Delinquent	42,371	40,019
Due from county	3,929	9,243
Due from other governments	1,000	-
Prepaid items	<u>5,372</u>	<u>6,082</u>
Total assets	<u><u>\$2,017,427</u></u>	<u><u>\$1,707,820</u></u>
Liabilities:		
Accounts payable	\$60,836	\$37,609
Due to other governments	3,456	142,378
Unearned revenue	<u>456,332</u>	<u>-</u>
Total liabilities	<u>520,624</u>	<u>179,987</u>
Deferred inflows of resources:		
Unavailable revenue	<u>42,371</u>	<u>40,019</u>
Fund balance:		
Nonspendable	5,372	6,082
Assigned	364,700	877,880
Unassigned	<u>1,084,360</u>	<u>603,852</u>
Total fund balance	<u>1,454,432</u>	<u>1,487,814</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$2,017,427</u></u>	<u><u>\$1,707,820</u></u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND

Statement 8

For The Year Ended December 31, 2019

With Comparative Totals For The Year Ended December 31, 2018

	2019	2018
Revenues:		
Property taxes	\$635,420	\$667,155
Intergovernmental	41,203	(104,900)
Investment income	38,242	152,701
Miscellaneous	3,707	4,844
Total revenues	<u>718,572</u>	<u>719,800</u>
Expenditures:		
Engineering services	26,375	37,403
Professional services	145,082	158,788
Insurance	7,984	7,106
Mileage and travel expenses	3,738	2,891
Office expense	23,376	28,025
Managers meeting expenses	3,439	2,818
509 planning/projects	431,332	298,610
Cooperative projects	14,461	19,400
Lobbying	16,167	16,000
Total expenditures	<u>671,954</u>	<u>571,041</u>
Revenue over expenditures	46,618	148,759
Other financing sources (uses):		
Transfers out	<u>(80,000)</u>	<u>(50,000)</u>
Net change in fund balance	(33,382)	98,759
Fund balance - January 1	<u>1,487,814</u>	<u>1,389,055</u>
Fund balance - December 31	<u><u>\$1,454,432</u></u>	<u><u>\$1,487,814</u></u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
CAPITAL PROJECT FUND - NINE FOOT CHANNEL FUND
December 31, 2019
With Comparative Totals For December 31, 2018

Statement 9

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and investments	\$351,833	\$364,853
Accounts receivable	-	20,787
	<u>-\$</u>	<u>20,787</u>
Total assets	<u>\$351,833</u>	<u>\$385,640</u>
Liabilities:		
Accounts payable	\$3,442	\$40,238
Unearned revenue	272,027	405,390
Total liabilities	<u>275,469</u>	<u>445,628</u>
Fund balance:		
Assigned	76,364	-
Unassigned	-	(59,988)
Total fund balance	<u>76,364</u>	<u>(59,988)</u>
Total liabilities and fund balance	<u>\$351,833</u>	<u>\$385,640</u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
CAPITAL PROJECT FUND - NINE FOOT CHANNEL FUND
For The Year Ended December 31, 2019
With Comparative Totals For The Year Ended December 31, 2018

Statement 10

	<u>2019</u>	<u>2018</u>
Revenues:		
Property taxes	\$76,503	\$49,435
Intergovernmental	113,785	94,188
Investment income	6,795	33,397
Dredge site income	19,660	30,444
Total revenues	<u>216,743</u>	<u>207,464</u>
Expenditures:		
Engineering services	116,600	81,975
Professional services	30,337	48,605
Insurance	1,996	1,776
Mileage and travel expenses	850	723
Office expense	6,086	6,011
Managers meeting expenses	689	704
Lobbying	3,833	4,000
Total expenditures	<u>160,391</u>	<u>143,794</u>
Revenue over (under) expenditures	56,352	63,670
Other financing sources:		
Transfers in	<u>80,000</u>	<u>50,000</u>
Net change in fund balance	136,352	113,670
Fund balance (deficit) - January 1	<u>(59,988)</u>	<u>(173,658)</u>
Fund balance (deficit) - December 31	<u><u>\$76,364</u></u>	<u><u>(\$59,988)</u></u>

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SUPPLEMENTARY FINANCIAL INFORMATION

LOWER MINNESOTA RIVER WATERSHED DISTRICT
SCHEDULE OF 509 PLANNING/PROJECT EXPENDITURES
December 31, 2019
With Comparative Totals For December 31, 2018

Exhibit 1

	<u>2019</u>	<u>2018</u>
Expenditures:		
Spring Creek	\$6,350	\$ -
Geomorphic Assessment of Trout Streams	89,840	-
Vegetation Management Plan	7,535	-
TH 101 Ravine - Shakopee	403	-
Sustainable Lakes Management Plan - Trout Lakes	33,560	-
Riley creek cooperative project	-	75,075
Eagle creek	-	6,690
Monitoring	118,474	59,730
Watershed management plan	51,909	66,988
Public education	22,078	20,064
Cost share program	1,266	16,630
East Chaska creek	35,703	6,448
Municipal project reviews	<u>64,214</u>	<u>46,985</u>
Total expenditures	<u><u>\$431,332</u></u>	<u><u>\$298,610</u></u>

OTHER INFORMATION - UNAUDITED

LOWER MINNESOTA RIVER WATERSHED DISTRICT

SCHEDULE OF CUMULATIVE EXPENDITURES

December 31, 2019

Table 1

Page 1 of 2

Expenditures:	Cumulative Total Through 2018	2019 Activity	Cumulative Total Through 2019
General and administrative expenses	\$8,126,261	\$243,836	\$8,370,097
Special projects:			
Assumption Creek	8,642	-	8,642
Nichols Fen / Harnack / Kennealy Creeks	3,330	-	3,330
City of Burnsville	305	-	305
Chaska	1,231	-	1,231
Seminary Fen	446,960	-	446,960
Met Council	771	-	771
Chaska Creek	56,093	-	56,093
Chaska Lanes	5,219	-	5,219
Willow Creek	37,716	-	37,716
Groundwater monitoring	314,918	118,474	433,392
LMR model	51,105	-	51,105
Savage Fen	21,449	-	21,449
Fort Snelling State Park roadway relocation	60,023	-	60,023
Office of water resource and research	36,200	-	36,200
Mohr Park - Bloomington well project	11,956	-	11,956
Aerial photos	6,100	-	6,100
East Chaska Creek diversion	48,965	31,864	80,829
Special study	4,968	-	4,968
Legislative committee hearing	7,056	-	7,056
Flood plain - regulations and litigation	15,064	-	15,064
Cooperative projects with municipalities	1,339,258	-	1,339,258
Contingency reserve	10,884	-	10,884
State flood plain analysis	5,150	-	5,150
Savage - Credit River	24,465	-	24,465
Department of Natural Resources - Rice Lake	140	-	140
Off Channel fleeting	9,849	-	9,849
Deans Lake	25,797	-	25,797
Environmental assessment for McGowan Barge	1,357	-	1,357
Scott County - Historical Park	5,000	-	5,000
Scott County - Murphy's Landing	60,430	-	60,430
Prior Lake - Spring Lake	21,167	-	21,167
Casperson landing cooperative project	44,874	-	44,874
River bank stabilization	76,058	-	76,058
General benefit projects	773	-	773
Metro Council gauging station	46,802	-	46,802
55/62 intersection	6,538	-	6,538
Eagle Creek	110,202	-	110,202
Data collection	33,700	-	33,700
Resource plan implementation	97,912	141,841	239,753
Eden Prairie SWMP	1,554	9,039	10,593
Nichols Fen	4,949	-	4,949
Courthouse - firearms - clayhole	32,649	-	32,649
Cooperative project contingency reserve	33,210	-	33,210
Trout stream	904	-	904

LOWER MINNESOTA RIVER WATERSHED DISTRICT

SCHEDULE OF CUMULATIVE EXPENDITURES

December 31, 2019

Table 1

Page 2 of 2

	Cumulative Total Through 2018	2019 Activity	Cumulative Total Through 2019
Expenditures (con't):			
BWSR Challenge Grant engineer	\$6,106	\$ -	\$6,106
Rainwater garden	35,000	-	35,000
Gully erosion inventory	7,000	-	7,000
Dakota County Fen	2,778	-	2,778
Miscellaneous	83,462	64,214	147,676
509 Plan general	27,641	-	27,641
Local management plans	27,818	6,199	34,017
Management plan	528,657	57,310	585,967
Chaska Lakes	12,171	-	12,171
Watershed assistance	7,881	-	7,881
Natural resources map	276	-	276
Public education	130,553	24,728	155,281
Strategic Resource evaluation	79,771	-	79,771
Cost share program	62,062	1,266	63,328
USGS	103,799	19,788	123,587
Long Meadow Outfall	100,000	-	100,000
Gully stabilization	875	-	875
Dred Scott Water Reuse Project	21,053	-	21,053
Nine Foot Channel	232,100	113,786	345,886
Riley Creek	166,701	-	166,701
	<u>166,701</u>	<u>-</u>	<u>166,701</u>
Total expenditures	<u>\$12,893,658</u>	<u>\$832,345</u>	<u>\$13,726,003</u>

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OTHER REPORTS

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REPORT ON INTERNAL CONTROL

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

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Lower Minnesota River Watershed District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lower Minnesota River Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lower Minnesota River Watershed District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal that we consider to be a material weakness.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control presented in the Schedule of Findings and Responses as 2019-001 to be a material weakness.

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

May 21, 2020

Lower Minnesota River Watershed District
Report on Internal Control
Schedule of Findings and Responses

2019-1 Audit Adjustments / Year-end Closing Process

Criteria: Material audit adjustments are considered to be a deficiency in internal control.

Condition: During the course of our audit, we identified an adjustment to the financial statements related to the Watershed Based Funding grant. The District initially recorded \$91,021 of grant revenue in 2019. However, only \$35,703 of grant revenue was earned during the year. An adjustment was recorded to reduce intergovernmental revenue by \$55,318.

Cause: Lower Minnesota River Watershed District's (the District) year-end closing process did not identify this correction prior to the audit.

Effect: By not having effective closing and review controls, there is an increased risk that financial statement misstatements could occur and not be detected in a timely basis.

Recommendation: We recommend the District continue efforts to assure that all adjustments are identified during the year-end closing process.

Management Response: The District will continue to monitor and develop processes to ensure the financial statements are reviewed and any misstatements are detected and prevented on a timely basis.



MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Managers
Lower Minnesota River Watershed District
Chaska, 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 each major fund of Lower Minnesota River Watershed District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Lower Minnesota River Watershed District's basic financial statements, and have issued our report thereon dated May 21, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that Lower Minnesota River Watershed District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Lower Minnesota River Watershed District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

May 21, 2020

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