

**LOWER MINNESOTA RIVER
WATERSHED DISTRICT**

ANNUAL FINANCIAL REPORT

December 31, 2021

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LOWER RIVER WATERSHED DISTRICT
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INTRODUCTORY SECTION

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LOWER MINNESOTA RIVER WATERSHED DISTRICT

ORGANIZATION

December 31, 2021

	<u>Term Expires</u>
Board of Managers:	
Jesse Hartman, President	March 2023
Patricia Mraz, Vice-President	March 2024
David Raby, Treasurer	March 2024
Lauren Salvato, Secretary	March 2023
Laura Amundson, Manager	March 2024
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

Report on the Audit of the Financial Statements

Opinions

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, 2021, 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.

In our opinion, the financial statements referred to above 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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lower Minnesota River Watershed District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Report on Summarized Comparative Information

We have previously audited Lower Minnesota River Watershed District's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund in our report dated June 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Minnesota River Watershed District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lower Minnesota River Watershed District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Minnesota River Watershed District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary 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 is the responsibility of management and, 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.

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 opinions on the basic financial statements are not affected by this missing information.

Supplementary 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 accompanying individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

November 22, 2023

BASIC FINANCIAL STATEMENTS

LOWER MINNESOTA RIVER WATERSHED DISTRICT

STATEMENT OF NET POSITION

December 31, 2021

With Comparative Totals For December 31, 2020

Statement 1

	Governmental Activities	
	2021	2020
Assets:		
Cash and investments	\$1,955,912	\$1,782,536
Property taxes receivable:		
Delinquent	23,149	23,012
Due from county	6,317	5,306
Accounts receivable	29,036	64,371
Due from other governments	27,484	2,544
Prepaid items	5,590	6,127
Capital assets - nondepreciable	256,167	256,167
Total assets	<u>2,303,655</u>	<u>2,140,063</u>
Liabilities:		
Accounts payable	346,612	88,397
Due to other governments	365,434	39,622
Unearned revenue	29,994	126,114
Total liabilities	<u>742,040</u>	<u>254,133</u>
Net position:		
Investment in capital assets	256,167	256,167
Unrestricted	1,305,448	1,629,763
Total net position	<u>\$1,561,615</u>	<u>\$1,885,930</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, 2021

With Comparative Totals For The Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges For Services	Operating Grants and Contributions	Primary Government	
				Totals	
				2021	2020
Primary government:					
Governmental activities:					
General government	\$727,811	\$ -	\$ -	(\$727,811)	(\$772,930)
Projects	583,700	46,286	215,785	(321,629)	(123)
Total governmental activities	<u>\$1,311,511</u>	<u>\$46,286</u>	<u>\$215,785</u>	<u>(1,049,440)</u>	<u>(773,053)</u>
General revenues:					
Property taxes				722,069	778,030
Unrestricted investment earnings				2,253	49,951
Miscellaneous				803	1,668
Total general revenues				<u>725,125</u>	<u>829,649</u>
Change in net position				(324,315)	56,596
Net position - January 1				<u>1,885,930</u>	<u>1,829,334</u>
Net position - December 31				<u>\$1,561,615</u>	<u>\$1,885,930</u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2021

With Comparative Totals For December 31, 2020

Statement 3

	General Fund	Nine Foot Channel Fund	Total Governmental Funds	
			2021	2020
Assets:				
Cash and investments	\$1,603,227	\$352,685	\$1,955,912	\$1,782,536
Property taxes receivable:				
Delinquent	23,149	-	23,149	23,012
Due from county	6,317	-	6,317	5,306
Accounts receivable	-	29,036	29,036	64,371
Due from other governments	27,484	-	27,484	2,544
Prepaid items	5,590	-	5,590	6,127
Total assets	\$1,665,767	\$381,721	\$2,047,488	\$1,883,896
Liabilities:				
Accounts payable	\$346,612	\$ -	\$346,612	\$88,397
Due to other governments	182,692	182,742	365,434	39,622
Unearned revenue	29,994	-	29,994	126,114
Total liabilities	559,298	182,742	742,040	254,133
Deferred inflows of resources:				
Unavailable revenue	23,149	29,036	52,185	87,383
Fund balance:				
Nonspendable	5,590	-	5,590	6,127
Assigned	790,000	169,943	959,943	490,496
Unassigned	287,730	-	287,730	1,045,757
Total fund balance	1,083,320	169,943	1,253,263	1,542,380
Total liabilities, deferred inflows of resources and fund balance	\$1,665,767	\$381,721	\$2,047,488	\$1,883,896
Fund balance reported above			\$1,253,263	\$1,542,380
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.			52,185	87,383
Net position of governmental activities (Statement 1)			\$1,561,615	\$1,885,930

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

For The Year Ended December 31, 2021

With Comparative Totals For The Year Ended December 31, 2020

Statement 4

	General Fund	Nine Foot Channel Fund	Total Governmental Funds	
			2021	2020
Revenues:				
Property taxes	\$721,932	\$ -	\$721,932	\$797,389
Intergovernmental	158,527	57,258	215,785	556,805
Investment income	2,253	-	2,253	49,951
Project review income	17,250	-	17,250	-
Dredge site income	-	64,371	64,371	-
Miscellaneous	803	-	803	1,668
Total revenues	<u>900,765</u>	<u>121,629</u>	<u>1,022,394</u>	<u>1,405,813</u>
Expenditures:				
Engineering services	329,562	15,397	344,959	127,009
Professional services	153,345	25,533	178,878	582,192
Insurance	7,901	2,381	10,282	8,653
Mileage and travel expenses	1,371	242	1,613	2,116
Office expense	16,657	2,758	19,415	29,549
Managers meeting expenses	6,639	1,171	7,810	5,078
509 planning/projects	578,554	-	578,554	476,700
Cooperative projects	150,000	-	150,000	144,599
Lobbying	17,000	3,000	20,000	18,333
Total expenditures	<u>1,261,029</u>	<u>50,482</u>	<u>1,311,511</u>	<u>1,394,229</u>
Revenues over (under) expenditures	(360,264)	71,147	(289,117)	11,584
Fund balance - January 1	<u>1,443,584</u>	<u>98,796</u>	<u>1,542,380</u>	<u>1,530,796</u>
Fund balance - December 31	<u>\$1,083,320</u>	<u>\$169,943</u>	<u>\$1,253,263</u>	<u>\$1,542,380</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
For The Year Ended December 31, 2021
With Comparative Totals For The Year Ended December 31, 2020

Statement 5

	<u>2021</u>	<u>2020</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)	(\$289,117)	\$11,584
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	137	(19,359)
Change in unavailable revenue - dredge material	<u>(35,335)</u>	<u>64,371</u>
Change in net position of governmental activities (Statement 2)	<u><u>(\$324,315)</u></u>	<u><u>\$56,596</u></u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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 days of the end of the current fiscal period. Reimbursement grants are considered available if they are

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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.

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.

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.

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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 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 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.

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.

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

N. COMPARATIVE TOTALS

The basic financial statements, required supplementary information and individual fund financial statements 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, 2020, from which the summarized information was derived.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the District maintains its deposits at depository banks authorized by the District Board. All such banks are members of the Federal Reserve System.

Minnesota Statutes require that all District deposits be protected by insurance, surety bonds or collateral. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. Securities pledged as collateral are required to be held in safekeeping by the District or in a financial institution other than that furnishing the collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

Custodial Credit Risk – Deposits – the risk that in the event of a bank failure, the District’s deposits may not be returned to it. Some statutes require that insurance, surety bonds or collateral protect all District deposits. The District has no additional policies addressing custodial credit risk.

The District does not have deposits at December 31, 2021.

B. INVESTMENTS

Subject to rating, yield, maturity and issuer requirements as prescribed by statute, Minnesota Statutes 118A.04 and 118A.05 authorize the District to invest in United States securities, state and local securities, commercial paper, time deposits, high-risk mortgage-backed securities, temporary general obligation bonds, repurchase agreements, Minnesota joint powers investment trusts and guaranteed investment contracts.

As of December 31, 2021, 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	\$1,955,912

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.

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

C. INVESTMENT RISKS

Credit Risk: the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes 118A.04 and 118A.05 limits investments in the top two ratings issued by nationally recognized statistical rating organizations. The District does not have an investment policy which further limits its investment choices. Investments pooled with Carver County are not rated.

Interest Rate Risk: the risk that market value of securities in a portfolio will decrease due to changes in market interest rates. The District's investments are pooled with Carver County and follow the County's investment policies.

Concentration of Credit Risk: 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 - investments: 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 or collateral securities that are in the possession of an outside party. As of December 31, 2021, all of the District's investments were pooled with Carver County.

Note 3 RECEIVABLES

\$23,000 of delinquent property taxes are not expected to be collected within one year of December 31, 2021.

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, 2021, unavailable revenue reported in the governmental funds was as follows:

	<u>Delinquent Property Taxes</u>	<u>Dredge Material</u>	<u>Total</u>
General Fund	\$23,149	\$ -	\$23,149
Nine Foot Channel	-	29,036	29,036
Total	<u>\$23,149</u>	<u>\$29,036</u>	<u>\$52,185</u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance 12/31/2020	Increases	Decreases	Balance 12/31/2021
Capital assets, not being depreciated:				
Land	\$256,167	\$ -	\$ -	\$256,167

Note 6 COMMITMENTS AND CONTINGENCIES

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 7 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, 2021

Note 8 FUND BALANCE - CLASSIFICATIONS

At December 31, 2021, 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	\$5,590	\$ -	\$5,590
Assigned:			
Eden Prairie Bank Stabilization	45,000	-	45,000
Ravine Stabilization at Seminary Fen in Chaska	20,000	-	20,000
Sustainable Lakes Management Plan (Trout Lakes)	79,000	-	79,000
Groundwater Screening Tool Model	135,000	-	135,000
Schroeder's Acres Park/Savage Fen Stormwater Project	35,000	-	35,000
Dakota County Fen Management Study	25,000	-	25,000
Local Water & Mgmt Plan Reviews	15,000	-	15,000
Project Reviews	50,000	-	50,000
Monitoring	75,000	-	75,000
Plan Clarification and Proposed Rules	10,000	-	10,000
Prior Lake Outlet Channel Realignment/Wetland Restoration	70,000	169,943	239,943
Spring Creek Channel Stabilization	106,000	-	106,000
West Chaska Creek	50,000	-	50,000
Downtown Shakopee BMP Study	50,000	-	50,000
MN River Corridor Management Study	25,000	-	25,000
Unassigned	<u>287,730</u>	<u>-</u>	<u>287,730</u>
Total	<u>\$1,083,320</u>	<u>\$169,943</u>	<u>\$1,253,263</u>

REQUIRED SUPPLEMENTARY INFORMATION

LOWER MINNESOTA RIVER WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Statement 6

For The Year Ended December 31, 2021

With Comparative Actual Amounts For The Year Ended December 31, 2020

	2021		Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Revenues:					
Property taxes	\$725,000	\$725,000	\$721,932	(\$3,068)	\$797,389
Intergovernmental	5,000	5,000	158,527	153,527	44,778
Investment income	-	-	2,253	2,253	43,770
Project review income	-	-	17,250	17,250	-
Miscellaneous	-	-	803	803	1,668
Total revenues	<u>730,000</u>	<u>730,000</u>	<u>900,765</u>	<u>170,765</u>	<u>887,605</u>
Expenditures:					
Engineering services	20,000	20,000	329,562	(309,562)	78,969
Professional services	150,550	150,550	153,345	(2,795)	143,996
Insurance	11,000	11,000	7,901	3,099	7,086
Mileage and travel expenses	7,000	7,000	1,371	5,629	1,798
Office expense	27,200	27,200	16,657	10,543	25,405
Managers meeting expenses	14,250	14,250	6,639	7,611	4,317
509 planning/projects	475,000	475,000	578,554	(103,554)	476,700
Cooperative projects	175,000	175,000	150,000	25,000	144,599
Lobbying	20,000	20,000	17,000	3,000	15,583
Total expenditures	<u>900,000</u>	<u>900,000</u>	<u>1,261,029</u>	<u>(361,029)</u>	<u>898,453</u>
Revenue over (under) expenditures	<u>(\$170,000)</u>	<u>(\$170,000)</u>	(360,264)	<u>(\$190,264)</u>	(10,848)
Fund balance - January 1			<u>1,443,584</u>		<u>1,454,432</u>
Fund balance - December 31			<u>\$1,083,320</u>		<u>\$1,443,584</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
GENERAL FUND
December 31, 2021
With Comparative Totals For December 31, 2020

Statement 7

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and investments	\$1,603,227	\$1,677,160
Property taxes receivable:		
Delinquent	23,149	23,012
Due from county	6,317	5,306
Due from other governments	27,484	2,544
Prepaid items	<u>5,590</u>	<u>6,127</u>
Total assets	<u><u>\$1,665,767</u></u>	<u><u>\$1,714,149</u></u>
Liabilities:		
Accounts payable	\$346,612	\$81,817
Due to other governments	182,692	39,622
Unearned revenue	<u>29,994</u>	<u>126,114</u>
Total liabilities	<u><u>559,298</u></u>	<u><u>247,553</u></u>
Deferred inflows of resources:		
Unavailable revenue	<u>23,149</u>	<u>23,012</u>
Fund balance:		
Nonspendable	5,590	6,127
Assigned	790,000	391,700
Unassigned	<u>287,730</u>	<u>1,045,757</u>
Total fund balance	<u><u>1,083,320</u></u>	<u><u>1,443,584</u></u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$1,665,767</u></u>	<u><u>\$1,714,149</u></u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
For The Year Ended December 31, 2021
With Comparative Totals For The Year Ended December 31, 2020

Statement 8

	2021	2020
Revenues:		
Property taxes	\$721,932	\$797,389
Intergovernmental	158,527	44,778
Investment income	2,253	43,770
Project review income	17,250	-
Miscellaneous	803	1,668
Total revenues	<u>900,765</u>	<u>887,605</u>
Expenditures:		
Engineering services	329,562	78,969
Professional services	153,345	143,996
Insurance	7,901	7,086
Mileage and travel expenses	1,371	1,798
Office expense	16,657	25,405
Managers meeting expenses	6,639	4,317
509 planning/projects	578,554	476,700
Cooperative projects	150,000	144,599
Lobbying	17,000	15,583
Total expenditures	<u>1,261,029</u>	<u>898,453</u>
Revenue over (under) expenditures	(360,264)	(10,848)
Fund balance - January 1	<u>1,443,584</u>	<u>1,454,432</u>
Fund balance - December 31	<u><u>\$1,083,320</u></u>	<u><u>\$1,443,584</u></u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
NINE FOOT CHANNEL CAPITAL PROJECT FUND
December 31, 2021
With Comparative Totals For December 31, 2020

Statement 9

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and investments	\$352,685	\$105,376
Accounts receivable	<u>29,036</u>	<u>64,371</u>
Total assets	<u><u>\$381,721</u></u>	<u><u>\$169,747</u></u>
Liabilities:		
Accounts payable	\$ -	\$6,580
Due to other governments	<u>182,742</u>	<u>-</u>
Total liabilities	<u><u>182,742</u></u>	<u><u>6,580</u></u>
Deferred inflows of resources:		
Unavailable revenue	<u>29,036</u>	<u>64,371</u>
Fund balance:		
Assigned	<u>169,943</u>	<u>98,796</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$381,721</u></u>	<u><u>\$169,747</u></u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
NINE FOOT CHANNEL CAPITAL PROJECT FUND
For The Year Ended December 31, 2021
With Comparative Totals For The Year Ended December 31, 2020

Statement 10

	<u>2021</u>	<u>2020</u>
Revenues:		
Intergovernmental	\$57,258	\$512,027
Investment income	-	6,181
Dredge site income	64,371	-
Total revenues	<u>121,629</u>	<u>518,208</u>
Expenditures:		
Engineering services	15,397	48,040
Professional services	25,533	438,196
Insurance	2,381	1,567
Mileage and travel expenses	242	318
Office expense	2,758	4,144
Managers meeting expenses	1,171	761
Lobbying	3,000	2,750
Total expenditures	<u>50,482</u>	<u>495,776</u>
Revenue over (under) expenditures	71,147	22,432
Fund balance - January 1	<u>98,796</u>	<u>76,364</u>
Fund balance - December 31	<u><u>\$169,943</u></u>	<u><u>\$98,796</u></u>

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OTHER REQUIRED REPORTS

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REPORT ON INTERNAL CONTROL

To the Board of Managers
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, 2021, 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 control 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 described in the schedule of findings and responses as item 2021-1 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, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

November 22, 2023

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

2021-1 Audit Adjustments/Year-end Closing Process

Criteria: An entity's internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition: Audit procedures detected the following material misstatements, which were corrected:

- Property tax revenue was understated by \$81,080
- Three misstatements relating to intergovernmental revenue: an overstatement of \$182,742, an understatement of \$15,040 and an understatement of \$26,484

Cause: Lower Minnesota River Watershed District's (the District) year-end closing process did not identify these corrections 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 ensure 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.

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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, 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, 2021, 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 November 22, 2023.

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 – bid laws, depositories of public funds and public 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 Minnesota Statute § 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.

This report is intended solely for the information and use of those charged with governance and management of Lower Minnesota River Watershed District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

November 22, 2023

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