

**RED LAKE WATERSHED DISTRICT
THIEF RIVER FALLS, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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RED LAKE WATERSHED DISTRICT
OFFICIAL DIRECTORY
DECEMBER 31, 2023

Board of Managers

<u>Manager</u>	<u>County</u>	<u>Position</u>
Dale M. Nelson	Pennington	President
Gene Tiedemann	West Polk	Vice President
LeRoy Ose	Marshall	Secretary
Terry Sorenson	East Polk	Treasurer
Brian Dwight	Beltrami	Manager
Allan Page	Red Lake	Manager
Tom Anderson	Clearwater	Manager

INDEPENDENT AUDITOR'S REPORT

Board of Managers
Red Lake Watershed District
Thief River Falls, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the remaining fund information of the Red Lake Watershed District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the 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 cash basis financial position of the governmental activities, each major fund, and the remaining fund information of the Red Lake Watershed District, as of December 31, 2023, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Red Lake 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 GAAS and *Government 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 GAAS and *Government 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 the 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 the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Red Lake Watershed District’s basic financial statements. The budgetary comparison schedule, statement of fund balances by project, and the statement of direct expenditures by classification as listed in the table of contents as supplementary information 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 budgetary comparison schedule, statement of fund balances by project, and the statement of direct expenditures by classification are fairly stated in all material respects in relation to the basic financial statements as a whole as described in the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the official directory and the management’s discussion and analysis 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2024 on our consideration of the Red Lake Watershed District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Red Lake Watershed District’s internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
THIEF RIVER FALLS, MINNESOTA**

April 22, 2024

RED LAKE WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Our discussion and analysis of the Red Lake Watershed District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2023, within the limitations of the District's cash basis of accounting. Please read it in conjunction with the District's financial statements following this section.

FINANCIAL HIGHLIGHTS

- The District's governmental funds total revenues exceeded total expenditures, on the cash basis of accounting, by \$2,579,592 for the year ended December 31, 2023.
- The general fund showed a decrease of cash basis fund balance in the amount of \$36,642.
- The District's General Fund ended the year with a fund balance of \$234,033.
- The District's combined fund balance at the close of the current year was \$8,095,418.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Red Lake Watershed District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basis of Accounting. The District has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the District's cash basis of accounting, revenues and expenses are recognized when the cash transactions occur.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts and taxes receivable and related revenue not collected yet) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not paid yet) are not recorded in these financial statements. Therefore when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Government-Wide Financial Statements. The government-wide financial statements are designed to display information about the Red Lake Watershed District taken as a whole.

Over time, increases or decreases in net position – cash basis may serve as a useful indicator of whether the financial cash position of the Red Lake Watershed District is improving or deteriorating.

The government-wide financial statements can be found on pages 12 and 13 of this report.

RED LAKE WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

Fund Financial Statements. The fund financial statements focus on the individual parts of the District. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Red Lake Watershed District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of Red Lake Watershed District are governmental funds.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Red Lake Watershed District maintains three major governmental funds. Information is presented separately in the governmental fund statement of balances arising from cash transactions and in the governmental fund statement of cash receipts, disbursements and changes in cash fund balance for the General Fund, Special Projects Fund, and Capital Projects Fund.

The basic government fund financial statements can be found on pages 14 through 15 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 25 of this report.

RED LAKE WATERSHED DISTRICT’S NET CASH POSITION

	<u>2023</u>	<u>2022</u>	<u>Change 22-23</u>
ASSETS			
Cash and Investments	<u>\$ 8,095,418</u>	<u>\$ 5,515,826</u>	<u>\$ 2,579,592</u>
NET CASH POSITION			
Restricted for Ditch Maintenance	\$ 550,543	\$ 589,247	\$ (38,704)
Unrestricted	<u>7,544,875</u>	<u>4,926,579</u>	<u>2,618,296</u>
	<u>\$ 8,095,418</u>	<u>\$ 5,515,826</u>	<u>\$ 2,579,592</u>

At the end of 2023 and 2022, the Red Lake Watershed District is able to report positive balances in net cash assets.

RED LAKE WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

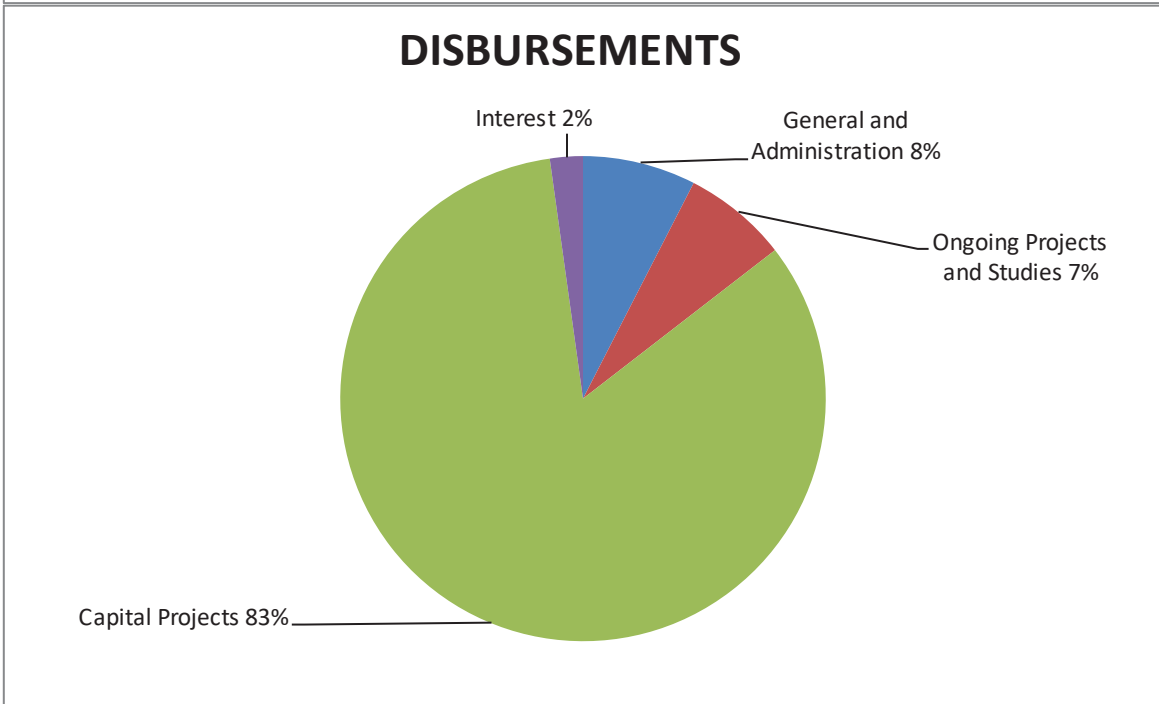
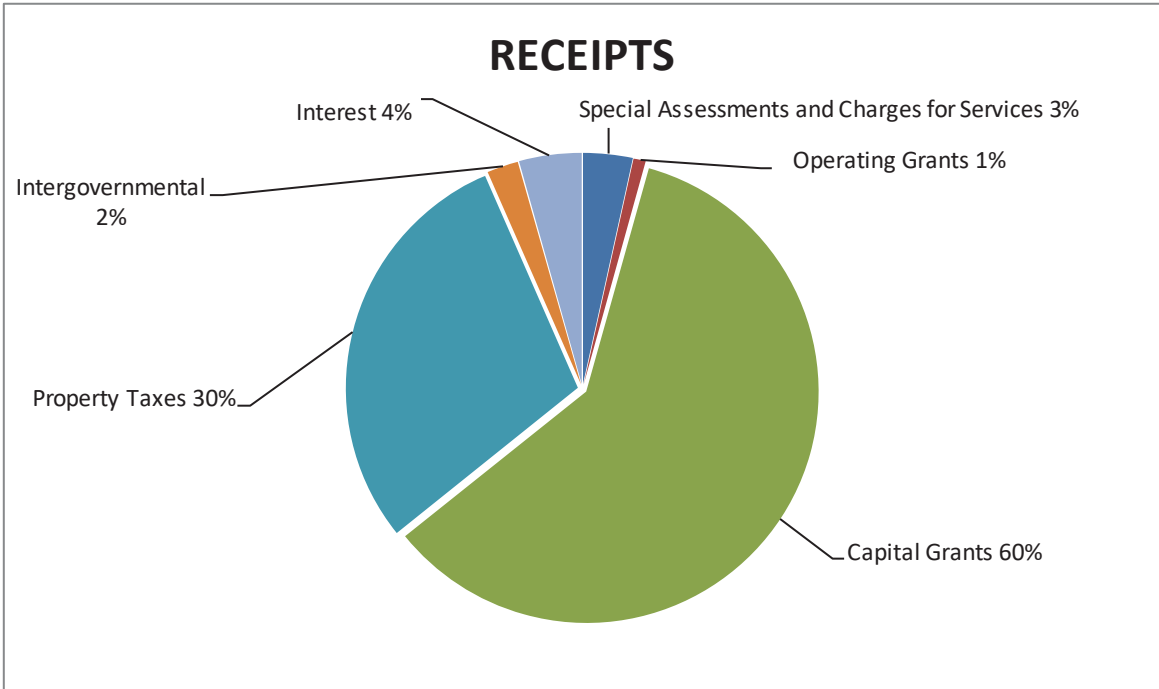
RED LAKE WATERSHED DISTRICT'S CHANGE IN NET CASH ASSETS

Governmental activities resulted in an increase of \$2,579,592 of Red Lake Watershed District's net cash position from the fiscal year 2022 to the current fiscal year. The details of the changes are as follows:

	<u>2023</u>	<u>2022</u>	<u>Change 22-23</u>
Receipts			
Program Revenues			
Special Assessments and Charges for Services	\$ 211,947	\$ 432,491	\$ (220,544)
Operating Grants	52,510	13,171	39,339
Capital Grants	3,659,622	5,024,774	(1,365,152)
General Revenues			
Property Taxes	1,785,340	1,710,045	75,295
Intergovernmental Interest	133,418	140,101	(6,683)
	<u>267,525</u>	<u>115,904</u>	<u>151,621</u>
Total Receipts	<u>6,110,362</u>	<u>7,436,486</u>	<u>(1,326,124)</u>
Disbursements			
General and Administration	267,119	140,188	126,931
Ongoing Projects and Studies	245,476	231,632	13,844
Capital Projects	2,941,454	3,643,960	(702,506)
Allocated Interest	76,721	67,686	9,035
	<u>3,530,770</u>	<u>4,083,466</u>	<u>(552,696)</u>
Total Disbursements	<u>3,530,770</u>	<u>4,083,466</u>	<u>(552,696)</u>
Increase (Decrease) in Net Position	<u>2,579,592</u>	<u>3,353,020</u>	<u>(773,428)</u>
Net Position - January 1	<u>5,515,826</u>	<u>2,162,806</u>	<u>3,353,020</u>
Net Position - December 31	<u>\$ 8,095,418</u>	<u>\$ 5,515,826</u>	<u>\$ 2,579,592</u>

RED LAKE WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

Below are specific graphs which provide comparisons of the receipts and disbursements for the year ended December 31, 2023:



RED LAKE WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

Governmental Activities

To aid in the understanding of the Statement of Activities Arising from Cash Transactions on page 13, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the District's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

A FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund Budgetary Highlights

For the year ended December 31, 2023, General Fund expenditures were \$73,607 over final budget. The budget was not amended during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As noted below, construction will begin on several projects as well as work on several water quality grants, flow through-grants, cooperative projects and grants with other agencies.

OTHER ITEMS OF INTEREST

Water Quality Projects

Thanks to the Clean Water Land and Legacy Act (CWLLA), the Minnesota Pollution Control Agency (MPCA) has been able to provide the District with funding for four watershed restoration and protection strategy (WRAPS) projects ([Thief River](#), [Red Lake River](#), [Grand Marais Creek](#), and [Clearwater River](#) watersheds). Another WRAPS project, for the Upper/Lower Red Lakes Watershed, was completed by the Red Lake Department of Natural Resources. The WRAPS process and stakeholder involvement informed the 1W1P process, which has provided much of the funding for the implementation of on-the-ground projects that protect and improve water quality. Surface Water Assessment Grants (SWAG) from the MPCA (also funded by the CWLLA) help fund intensive monitoring of targeted watersheds. The targeting and prioritization work completed during the WRAPS and 1W1P processes have aided the acquisition of additional grant funding. The United States Environmental Protection Agency awarded a Small Watersheds Focus 319 Grant to the Red Lake River that has been used to install structural agricultural best management practices and streambank stabilization projects. Because of the Red Lake River 1W1P partners' accomplishments and active development of shovel ready projects, the MPCA awarded additional 319 Grant funding (funding that was unspent in another area of the state) to the Red Lake Watershed District (District) in 2023 to help fund the construction of a bank stabilization project.

Pine Lake Project – Phase II

Phase II of the Pine Lake Outlet Structure includes replacement of the existing arch pipe and replace it with a box culvert in the Lost River, downstream of the Pine Lake Outlet Structure. This structure is being designed by District engineering staff as well MnDNR staff to allow more flow capacity during flood events at the same time allowing proper fish passage on the Lost River. The District awarded the project in late 2023 with construction slated to be completed by the Fall of 2024.

RED LAKE WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

Red Lake River One Watershed One Plan (1W1P)

In 2018, funding through the BWSR Clean Water Fund in the amount of \$677,551 was awarded to this planning region to complete various projects identified in the workplan approved by BWSR. It should be noted at the request of the Policy Committee formed to oversee the implementation of the plan; the District was appointed as the fiscal agent for the implementation of the plan. Implementation of the funds dispersed in the 2018 workplan started in 2019, continued into 2020 with 50% of the funds being spent. The reconciliation for the 2018 grant in the amount of \$667,551 was completed, closed and the remaining 10% of the grant in the amount of \$67,755 was dispersed in February 2022.

In 2020, funding through the BWSR Watershed Base Implementation Funding (WBIF) in the amount of \$1,071,149 was awarded by BWSR for the implementation of various projects identified in the workplan. The Policy Committee appointed the District as the fiscal agent for the implementation of the plan. Implementation of the funds dispersed in the 2020 workplan started in 2020, continued into 2021 with 50% of the funds being spent. In October 2022, BWSR dispersed 40% of the grant, in the amount of \$428,460. The reconciliation for the 2020 grant in the amount of \$1,071,149 was completed in December 2022, and the remaining funds was dispersed in 2023.

In 2022, another round of WBIF was awarded in the amount of \$1,071,149. The District and their partners continued to complete water quality projects in accordance with the approved 2022 work plan. The Policy Committee formed to oversee the implementation of the plan appointed the District as the fiscal agent for the implementation of the plan. BWSR dispersed 50% of the grant, in the amount of \$535,575, in March 2022.

In 2023, the District and their partners were awarded a \$50,000 Mid-Point Assessment Grant from BWSR, which allows for the assessment of the implementation process and plan amendment of the Red Lake River 1W1P. These additional funds were added to the 2022 Grant therefore a grant amendment was required, which also included extending the grant expiration date from June 30, 2024 to December 31, 2024. BWSR dispersed 50% of the grant, in the amount of \$25,000, in May 2023. The Policy Committee also appointed the District as Fiscal Agent for 2023.

In 2023, BWSR announced the availability of Supplemental Funds, with a deadline date of submittal of January 8, 2024.

Thief River One Watershed One Plan (1W1P)

In 2020, funding through the BWSR Clean Water Fund in the amount of \$529,892 was awarded to this planning region to complete various projects identified in the workplan approved by the BWSR. It should be noted at the request of the Policy Committee formed to oversee the implementation of the plan the District was appointed as the fiscal agent for the implementation of the plan. Implementation of the funds dispersed in the 2020 workplan started in 2021, continued into 2022 with 50% of the funds dispersed in July 2022.

In 2022, another round of WBIF was awarded in the amount of \$529,892. The District and their partners continued to complete water quality projects in accordance with the approved 2022 work plan. The Policy Committee formed to oversee the implementation of the plan appointed the Red Lake Watershed District as the fiscal agent for the implementation of the plan. BWSR dispersed 50% of the grant, in the amount of \$264,946, in June 2022.

In May 2023, BWSR dispersed 40% of the 2020 grant, in the amount of \$211,957. The reconciliation for the 2020 grant was completed in December 2022, and the remaining funds in the amount of \$52,989 will be dispersed early 2024.

RED LAKE WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

Clearwater River One Watershed One Plan (1W1P)

In 2023, BWSR approved the Clearwater River 1W1P Comprehensive Plan, along with the Implementation workplan approved by BWSR. At the request of the Policy Committee, the District was appointed as the fiscal agent for the implementation of projects identified the workplan. In March 2023, BWSR dispersed 50% of the grant payment in the amount of \$487,363.

In 2023, BWSR announced the availability of Supplemental Funds, with a deadline date of submittal of January 8, 2024.

Federal Emergency Management Funds (FEMA)

In early 2022, projects within the District sustained significant damage in the amount of \$580,557.16 The District applied for and was awarded funding for repairs to the projects from the Federal Emergency Management Agency (FEMA). Allocated funds, minus 10% were dispersed in 2023.

Legal Drainage Petitions

During the 2022 spring flood event, extensive damage was done to various ditch systems under jurisdiction of the District. The District applied for and was awarded funding for repairs to the project from the Federal Emergency Management Agency (FEMA). Repairs and funds were completed in 2023.

In 2022, the Red Lake Watershed District and petitioners, appealed a District Court decision for the Improvement of Polk County Ditch #39, RLWD, Project 179. The Appeal will be taken to the Minnesota Supreme Court in early 2024.

Chiefs Coulee Project

This project was initiated by the City of Thief River Falls, with the District being a project partner. The project located within and north of the City of Thief River Falls, will direct high flows from entering the city, along with improving serious water quality concerns within the city. The District and the city has each committed \$800,000 to the project, and will seek outside funding for the remainder of the costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Red Lake Watershed District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Red Lake Watershed District, 1000 Pennington Avenue South, Thief River Falls, Minnesota 56701.

BASIC FINANCIAL STATEMENTS

RED LAKE WATERSHED DISTRICT
STATEMENT OF NET CASH POSITION
DECEMBER 31, 2023

	Total
Assets	
Petty Cash	\$ 100
Pooled Cash and Investments	8,095,318
Total Assets	\$ 8,095,418
Net Cash Position	
Restricted for Ditch Maintenance	\$ 550,543
Unrestricted	7,544,875
Total Net Cash Position	\$ 8,095,418

See Notes to the Basic Financial Statements

RED LAKE WATERSHED DISTRICT
STATEMENT OF ACTIVITIES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Disbursements			Program Receipts and Sources			Net Cash Sources (Uses) and Changes in Net Cash Position
	Direct	Allocated Salaries and Overhead	Total	Special Assessments and Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:							
General and Administrative	\$ (1,076,526)	\$ 809,407	\$ (267,119)	\$ 9,230	\$ -	\$ -	\$ (257,889)
Ongoing Projects and Studies	(178,759)	(66,717)	(245,476)	142,532	52,510	-	(50,434)
Capital Projects	(2,198,764)	(742,690)	(2,941,454)	60,185	-	3,659,622	778,353
Allocated Interest	(76,721)	-	(76,721)	-	-	-	(76,721)
Total Governmental Activities	<u>\$ (3,530,770)</u>	<u>\$ -</u>	<u>\$ (3,530,770)</u>	<u>\$ 211,947</u>	<u>\$ 52,510</u>	<u>\$ 3,659,622</u>	<u>\$ 393,309</u>
General Receipts:							
Tax Levies							\$ 1,785,340
Intergovernmental (not restricted to specific programs)							133,418
State MV and Disparity Reduction Credits							<u>267,525</u>
Allocated Interest							
Total General Receipts							<u>2,186,283</u>
Change in Net Cash Position							2,579,592
Net Cash Position - Beginning							<u>5,515,826</u>
Net Cash Position - Ending							<u>\$ 8,095,418</u>

See Notes to the Basic Financial Statements

RED LAKE WATERSHED DISTRICT
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS – GOVERNMENTAL FUNDS
DECEMBER 31, 2023

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Petty Cash	\$ 100	\$ -	\$ -	\$ 100
Pooled Cash and Investments	233,933	550,543	7,310,842	8,095,318
Total Assets	<u>\$ 234,033</u>	<u>\$ 550,543</u>	<u>\$ 7,310,842</u>	<u>\$ 8,095,418</u>
 <u>CASH FUND BALANCE</u>				
Restricted for Ditch Maintenance	\$ -	\$ 550,543	\$ -	\$ 550,543
Committed for Capital Projects	-	-	7,310,842	7,310,842
Unassigned	234,033	-	-	234,033
Total Cash Fund Balance	<u>\$ 234,033</u>	<u>\$ 550,543</u>	<u>\$ 7,310,842</u>	<u>\$ 8,095,418</u>

See Notes to the Basic Financial Statements

RED LAKE WATERSHED DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>RECEIPTS</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Property Taxes	\$ 217,104	\$ -	\$ 1,568,236	\$ 1,785,340
Special Assessments	-	137,127	1,120	138,247
Intergovernmental:				
Federal	-	11,507	492,550	504,057
State	-	19,915	2,100,912	2,120,827
Local	-	21,088	1,199,578	1,220,666
Other:				
Miscellaneous	9,230	5,405	59,065	73,700
Allocated Interest	42,264	24,677	200,584	267,525
Total Receipts	<u>268,598</u>	<u>219,719</u>	<u>5,622,045</u>	<u>6,110,362</u>
<u>DISBURSEMENTS</u>				
General and Administrative	267,119	-	-	267,119
Ongoing Projects and Studies	-	245,476	-	245,476
Capital Projects	-	-	2,941,454	2,941,454
Allocated Interest	38,121	12,947	25,653	76,721
Total Disbursements	<u>305,240</u>	<u>258,423</u>	<u>2,967,107</u>	<u>3,530,770</u>
Net Change in Cash Fund Balance	(36,642)	(38,704)	2,654,938	2,579,592
CASH FUND BALANCE JANUARY 1	<u>270,675</u>	<u>589,247</u>	<u>4,655,904</u>	<u>5,515,826</u>
CASH FUND BALANCE DECEMBER 31	<u>\$ 234,033</u>	<u>\$ 550,543</u>	<u>\$ 7,310,842</u>	<u>\$ 8,095,418</u>

See Notes to the Basic Financial Statements

RED LAKE WATERSHED DISTRICT
STATEMENT OF CHANGES IN NET CASH POSITION – FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Custodial Fund</u>
<u>ADDITIONS</u>	
<u>Property Taxes</u>	
Beltrami County	\$ 108,346
Clearwater County	219,647
Itasca County	758
Koochiching County	8,586
Mahnomen County	2,460
Marshall County	70,243
Pennington County	293,425
Polk County	727,779
Red Lake County	136,691
Roseau County	185
State - MV	<u>66,710</u>
 TOTAL ADDITIONS	 <u>1,634,830</u>
<u>DEDUCTIONS</u>	
Red River Watershed Management Board	<u>1,634,830</u>
 TOTAL DEDUCTIONS	 1,634,830
 CHANGE IN NET CASH POSITION	 -
 NET CASH POSITION - BEGINNING	 <u>-</u>
 NET CASH POSITION - ENDING	 <u>\$ -</u>

See Notes to the Basic Financial Statements

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Red Lake Watershed District, (the "District"), was established under the Minnesota Watershed Act as an agency of the State of Minnesota. The purpose of the District is to carry out conservation of the natural resources of the State of Minnesota through land utilization, flood control, and other needs, upon sound scientific principles for the protection of the public health and welfare and the provident use of natural resources. The District serves an area in Northwestern Minnesota and includes all of Red Lake County and parts of the following counties: Beltrami, Clearwater, Itasca, Koochiching, Mahnomon, Marshall, Pennington, Polk, and Roseau. The District is governed by the Board of Managers, which is composed of seven members appointed by the county boards in accordance with Minnesota Statutes.

Reporting Entity

The financial statements of the District include all organizations, funds and account groups over which the District's Board exercises significant influence over and/or is financially accountable or organizations for which the nature and significance of their relationship with the District is such that exclusion would cause the Red Lake Watershed District's financial statements to be misleading. Currently, the District does not have any component units.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Cash Position and Statement of Activities Arising From Cash Transactions display information about the reporting government taken as a whole. They include all funds of the reporting entity except any fiduciary funds. The statements would distinguish between governmental and business-type activities (if any). The District displays all operations as governmental activities because governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues.

Fund Financial Statements

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are typically organized into three major categories: governmental, fiduciary and proprietary. The District currently has no proprietary funds.

An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that type, AND
- b. Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined.

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund

The special revenue fund is used to account for the proceeds of specific revenue sources (other than capital projects) where the expenditures are legally restricted for purposes specified in the grant or project agreements. The reporting entity includes the special revenue fund as a major fund.

Capital Projects Fund

The Capital Projects Fund is used to account for resources committed for the acquisition, construction and maintenance of specific capital projects or items. The reporting entity includes the capital projects fund as a major fund.

Fiduciary Funds

Custodial Fund

The reporting entity includes one custodial fund and does not involve the measurement of results of operations. The custodial fund is as follows:

<u>Fund</u>	<u>Brief Description</u>
Red River Water Management Board	Property Taxes are levied by the District on behalf of the Board and submitted to the Management Board.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe the recognition of revenues and expenditures within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Cash Position and the Statement of Activities Arising From Cash Transactions, governmental activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the cash basis of accounting is used as appropriate:

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Cash Position and Statement of Activities Arising from Cash Transactions, governmental activities are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues and expenditures when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable, property and related accumulated depreciation, and revenue for billed or unbilled services provided in current year) and certain liabilities and their related expense (such as accounts payables, unpaid goods or services received in the current year and accrued expenses) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the cash basis of accounting and the government-wide financials would be presented on the accrual basis of accounting.

Budgets

The budget is prepared using the same method of accounting as the financial statements. The annual adopted budget is not legally binding on the District, with the exception of the revenue budget for the general fund, which is limited by state statute at \$250,000 and set by the Board for 2023 at \$250,000. All appropriations lapse at year-end.

Revenues

In the Statement of Activities Arising from Cash Transactions, cash basis revenues that are derived directly from each activity or from parties outside the District’s taxpayers are reported as program revenues. The District has the following program revenues; direct project cost reimbursements and project special assessments, rental income and operating and capital grants specific to projects. All other governmental revenues and general tax levies are classified as general revenue.

Property Taxes

The District levies property taxes on property owners within the District, which becomes an enforceable lien as of January 1. Taxes are levied in September and are payable to counties on May 15 and October 15 (November 15 for farm property) of the following year. The District levies the tax, while the respective counties collect and remit the tax collections to the District. Property taxes are recognized when received from the counties under the cash basis of accounting. The District also levies special assessments through the counties against property owners who obtain direct benefits from projects or property owners who request, through the petition process, to have a project undertaken. The special assessment collections are recorded in a manner similar to that for property taxes.

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Compensated Absences

Full-time employees starting on the date of employment will accrue 80 hours per year of vacation for the first five years of employment. During the next five years of employment, an employee accrues 120 hours per year, after ten years of employment but less than twenty, an employee accrues 160 hours per year of vacation, and after 20 years of employment an employee accrues 200. Qualifying part-time employees are entitled to vacation based on the percentage of hours worked per pay period. The maximum accumulation of vacation leave is 200 hours. Unused vacation leave is paid only upon termination of employment.

Full-time employees employed with the District accrue eight hours of sick leave per month. Part-time employees who have worked 60% of the time for a period of nine months shall be entitled to sick leave based on the percentage of hours worked per pay period. The maximum accumulation of sick leave is 400 hours and does not vest upon termination of employment. As of January 1, 2014, half of the employee's remaining sick leave will be paid at the employee's current hourly rate to the employee upon retirement. If the employee quits or is terminated for any reason, no payment shall be made to the employee. District Office shall maintain leave records by posting leave earned and taken, and calculating a current balance for each employee. There will be no payment in lieu of sick leave, except when retirement of employment occurs. No vested or accumulated liability has been recorded for accumulated compensated absences.

Pensions

Plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Equity

In the government-wide financial statements, equity is classified as "net position" and displayed in two components:

1. Restricted Net Cash Position – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Cash Position – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the District's policy to first use restricted Net Position prior to the use of unrestricted Net Position when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

Cash Fund Balance

In the governmental fund financial statements, cash fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority which is the Board of Managers through an ordinance or resolution.

Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

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

Interfund Balances

In the process of aggregating the fund information for the government-wide Statement of Net Cash Position and Statement of Activities Arising from Cash Transactions, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. There are no instances of noncompliance that are considered material to the financial statements.

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 3 CASH

The District maintains cash accounts at its depository banks. Investments are carried at cost and consist of Certificates of Deposit.

Minnesota Statutes require that all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC (140% if collateralized with notes secured by first mortgages).

At December 31, 2023, all deposits were covered by FDIC and pledged collateral as required by Minnesota Statute.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District is authorized by Minnesota Statutes to invest in the following: direct obligations or obligations guaranteed by the federal government or its agencies; share of investment companies registered under the Federal Investment Company Act of 1940 and is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of Minnesota Housing Finance Agency rated "A" or better; commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank or insurance company, domestic branch of a foreign bank and with a credit quality in one of the top two highest categories; repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, 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, or certain Minnesota securities broker-dealers. The District has no investment policy that would further limit its investment choices.

Custodial Risk

The District does not have a formal policy which would limit the amount held by any one financial institution or investment type.

Related-Party Investments

As of December 31, 2023, the District held no related-party investments.

NOTE 4 DEFINED BENEFIT PENSION PLANS

Plan Description

All full-time and certain part-time employees of the Red Lake Watershed District are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (accounted for

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

in the General Employees Fund), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

PERA provides retirement, disability, and death benefits. Benefits are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

The benefit provisions stated in the preceding paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Plan. That report may be obtained on the PERA's website at www.mnpera.org/about/financial/.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state Legislature. In 2023, Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary.

The Red Lake Watershed District's contributions to the General Employees Fund for the years ended December 31, 2023, 2022, and 2021 were \$38,430, \$38,336, and \$36,147 respectively.

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 5 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The District manages these various risks of loss with the purchase of insurance through commercial insurance providers. The District carries commercial insurance coverage on its commercial property and for liability, personal and advertising injury, non-owned auto and a miscellaneous floater.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 6 OVERHEAD COST ALLOCATION

Overhead costs are allocated to all projects at 150% of direct salaries to projects. Overhead costs represent those costs incurred by the District for administration, employee benefits, engineering, and related operating expenditures, which are not charged directly to the project. The total overhead costs charged to projects in 2023 was \$809,407.

NOTE 7 CONTINGENCIES

Grants

The District participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectability of any related receivable at December 31, 2023, may be impaired. The District is not aware of any significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

Claims and Litigation

The District is not presently involved in any legal actions relating to projects undertaken or attempted to be undertaken that are deemed to be material to the financial statements.

NOTE 8 NEW PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The statement is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

Management has not yet determined what effect these statements will have on the District's financial statements.

NOTE 9 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through April 22, 2024, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

RED LAKE WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE – CASH BASIS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual 2023	Variance
REVENUES			
Tax Levies	\$ 250,000	\$ 217,104	\$ (32,896)
Miscellaneous	3,000	9,230	6,230
Allocated Interest	<u>-</u>	<u>42,264</u>	<u>42,264</u>
 Total Revenues	 <u>253,000</u>	 <u>268,598</u>	 <u>15,598</u>
EXPENDITURES			
General and Administrative	231,633	267,119	35,486
Interest	<u>-</u>	<u>38,121</u>	<u>38,121</u>
 Total Expenditures	 <u>231,633</u>	 <u>305,240</u>	 <u>73,607</u>
 Expenditures Exceed Revenues	 21,367	 (36,642)	 <u>(58,009)</u>
 FUND BALANCE JANUARY 1	 <u>270,675</u>	 <u>270,675</u>	
 FUND BALANCE DECEMBER 31	 <u>\$ 292,042</u>	 <u>\$ 234,033</u>	

NOTE 1 – BUDGETARY COMPARISON

The budget is prepared using the same method of accounting as the financial statements. The annual adopted budget is not legally binding on the District, with the exception of the revenue budget for the general fund, which is limited by state statute at \$250,000 and set by the Board for 2023 at \$250,000. All appropriations lapse at year-end.

RED LAKE WATERSHED DISTRICT
SCHEDULE OF BALANCES BY PROJECT – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Revenues				Expenses			Transfer	Fund Balance (Deficit) December 31	
	Fund Balance (Deficit) January 1	Assessments and Other Charges for Services	Operating/ Capital Grants and Contribution	Allocated Interest Earned	Taxes	Direct	Allocated Interest Charged	Allocated Salary and Overhead		In (Out)
GENERAL FUND	\$ 270,675	\$ 9,230	\$ -	\$ 42,264	\$ 217,104	\$ 1,076,526	\$ 38,121	\$ (809,407)	\$ -	\$ 234,033
SPECIAL REVENUE FUND JOBS:										
Red Lake River Project	83,117	1,950	-	2,377	-	-	-	-	-	87,444
Clearwater River Project	51,761	8,290	-	1,566	-	-	-	-	-	61,617
Lost River Project	16,402	4,298	-	808	-	24	-	167	-	21,317
RLWD Ditch #1	8,800	1,597	-	357	-	2,688	-	198	-	7,868
RLWD Ditch #3	4,519	1,985	-	150	-	2,500	-	2,559	-	1,595
State Ditch #83	101,621	32,159	20,596	3,241	-	27,377	-	16,148	-	114,092
County Ditch #20/State Ditch #83	(417)	-	-	-	-	-	19	-	-	(436)
RLWD Ditch #7	10,230	5,514	-	214	-	11,804	-	1,598	-	2,556
Pine Lake Maintenance	(11,408)	10,027	-	-	-	3,081	941	11,899	-	(17,302)
RLWD Ditch #8	3,722	2,500	-	13	-	8,060	-	1,734	-	(3,559)
RLWD Ditch #9	611	246	-	15	-	525	-	152	-	195
J.D. Ditch #72	3,377	(3,377)	-	-	-	-	-	-	-	-
J.D. Ditch #100	(8,550)	701	-	-	-	-	378	-	-	(8,227)
J.D. Ditch #100 Maint.	652	3,228	-	31	-	1,140	-	1,312	-	1,459
J.D. Ditch #101	(6,787)	3,102	-	-	-	-	266	-	-	(3,951)
J.D. Ditch #101 Maint.	1,501	7,502	-	88	-	-	-	2,431	-	6,660
Burnam Creek Channel	(20,725)	-	21,088	-	-	-	514	1,558	-	(1,709)
Clearwater/Wild Rice River	(1,349)	980	-	-	-	-	44	2,872	-	(3,285)
Branch A & 1, J.D. #2	2,824	5,473	-	135	-	960	-	152	-	7,320
Main J.D. #2 and Branch B&C	3,031	475	-	46	-	2,220	-	394	-	938
Main J.D. 2C. Eck	2,435	137	-	64	-	-	-	339	-	2,297
Krostue Petition	6,171	5,186	-	226	-	1,839	-	289	-	9,455
Clearwater County Joint Ditch #4	5,772	463	-	144	-	16	-	966	-	5,397
Clearwater County Joint Ditch #5	(7,565)	2,404	-	-	-	-	306	304	-	(5,771)
Clearwater County Ditch #1	(144)	473	-	-	-	120	2	-	-	207
Clifford Arveson Ditch	9,931	227	-	271	-	1,000	-	107	-	9,322
Winsor/Hangaard/Clearwater County Petition	12,105	1,194	-	294	-	9,184	-	1,534	-	2,875
Equality RLWD Ditch #1, lat C	1,545	1,637	-	45	-	1,079	-	259	-	1,889
K. Johnson Petition	2,114	2,305	-	50	-	743	-	2,043	-	1,683
Polk County Ditch #'s 104, 61, 47, 94	11,382	17,191	-	532	-	714	-	502	-	27,889
TRF Drainage Ditch (Challenger Ditch)	2,547	46	-	18	-	107	-	74	-	2,430
Scott Baatz Petition	1,030	1,165	-	34	-	300	-	773	-	1,156
Polk County Ditch #63 Improvement	16,012	311	-	414	-	15,690	-	606	-	441
Polk County Ditch #33 Improvement	12,915	472	-	317	-	2,843	-	274	-	10,587
RLWD Ditch #10	79,054	1,829	-	2,179	-	3,220	-	1,775	-	78,067
RLWD Ditch #11	6,810	679	-	163	-	2,911	-	183	-	4,558
RLWD Ditch #12	4,947	12,014	-	152	-	7,307	-	1,912	-	7,894
RLWD Ditch #13	2,346	211	-	54	-	788	-	198	-	1,625
RLWD Ditch #14	(7,303)	457	3,300	-	-	7,550	390	992	-	(12,478)
TRF Damage Reduction Project	169	2,536	-	-	-	3,912	61	930	-	(2,198)

RED LAKE WATERSHED DISTRICT
SCHEDULE OF BALANCES BY PROJECT – CASH BASIS– CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

	Revenues					Expenses			Transfer	Fund Balance (Deficit) December 31
	Fund Balance (Deficit) January 1	Assessments and Other Charges for Services	Operating/ Capital Grants and Contribution	Allocated Interest Earned	Taxes	Allocated Interest Charged	Allocated Salary and Overhead	In (Out)		
					Direct					
SPECIAL REVENUE FUND JOBS (Continued):										
RLWD Ditch #15	\$ 26,708	\$ 3,153	\$ -	\$ 707	\$ -	\$ 4,513	\$ -	\$ 2,330	\$ -	\$ 23,725
Black River Diversion Ditches	(1,375)	-	-	-	-	6,980	311	2,440	-	(11,106)
RLWD Ditch #16	356,621	470	-	9,972	-	7,052	-	1,360	-	358,651
TRF Westside	(11,817)	1,322	7,526	-	-	8,898	560	2,000	-	(14,427)
Improv to Polk Co. #39	(186,095)	-	-	-	-	31,614	9,155	1,353	-	(228,217)
	<u>589,247</u>	<u>142,532</u>	<u>52,510</u>	<u>24,677</u>	<u>-</u>	<u>178,759</u>	<u>12,947</u>	<u>66,717</u>	<u>-</u>	<u>550,543</u>
CAPITAL PROJECT FUND JOBS:										
Administrative Construction	4,499,627	-	66,709	147,963	1,568,236	-	-	-	(1,180,301)	5,102,234
Web Page Development	1,200	-	1,500	41	-	2,594	-	1,470	1,323	-
Moose River Project	-	-	27,485	122	-	19,460	-	12,248	4,130	29
Lost River Improvement	-	-	-	-	-	3,695	357	10,296	15,535	1,187
Stream Gauging	-	-	-	-	-	14,374	702	3,566	18,291	(351)
Schirrick Dam	-	-	16,280	378	-	2,647	-	1,249	-	12,762
Pine Lake PWT	-	-	-	-	-	83	19	872	964	(10)
Little Pine Lake WMA	-	-	-	-	-	680	90	2,400	3,125	(45)
Pine Lake FDR	-	-	691,031	17,221	-	35,875	-	13,623	-	658,754
Hydrologic Analysis	-	-	-	-	-	42,767	2,361	23,254	66,807	(1,575)
Flood Control Study	-	-	165,186	2,298	-	23,862	-	26,428	-	117,194
RRWMB - Technical Com	-	-	-	-	-	821	405	15,308	16,332	(202)
Burnham Creek - BR6	-	-	-	-	-	13	15	601	621	(8)
Water Quality	-	-	51,193	-	-	63,472	789	107,282	120,650	300
TRF Oxbow Restore	-	-	-	-	-	2	-	66	68	-
Water Quality- RL River 319 Grant	-	-	52,214	-	-	-	232	1,754	512,409	562,637
Chief's Coulee	-	-	214,375	4,513	-	-	-	1,959	-	216,929
Maintenance Dams	-	-	-	-	-	-	91	2,360	2,406	(45)
Miller Dam	-	-	12,920	175	-	8,995	-	345	-	3,755
Knutson Dam	-	-	16,246	387	-	2,813	-	59	(13,671)	90
Thibert Dam	-	-	-	-	-	88,404	436	4,198	-	(93,038)
Elm Lake	-	-	-	-	-	8,955	394	6,844	-	(16,193)
Grand Marais Creek Subwatershed	-	-	-	-	-	-	1	30	31	-
Euclid East Impoundment	-	3,011	5,446	-	-	6,538	123	3,040	-	(1,244)
Brandt Impoundment	110	1,080	4,226	-	-	2,815	1	2,052	-	548
Brandt Channel Restoration	-	474	-	-	-	1,197	51	743	1,491	(26)
Grand Marais - Restoration	-	-	-	-	-	908	101	3,375	4,341	(43)
Grand Marais Cut Channel Stabilization	-	-	-	-	-	-	14	-	-	(14)
Red Lake Res/Good Lake	-	-	-	-	-	3,673	89	140	990	(2,912)
Parnell Impoundment	1,650	4,244	11,531	-	-	11,196	5	6,081	-	143
Clearwater Public Education (River Watch)	-	598	-	-	-	1,278	471	18,146	19,061	(236)
Greenwood 27 Bank Stabilization	-	-	-	-	-	-	-	-	-	-

RED LAKE WATERSHED DISTRICT
SCHEDULE OF BALANCES BY PROJECT – CASH BASIS– CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

	Fund Balance (Deficit) January 1	Revenues			Taxes	Expenses			Transfer In (Out)	Fund Balance (Deficit) December 31
		Assessments and Other Charges for Services	Operating/ Capital Grants and Contribution	Allocated Interest Earned		Direct	Allocated Interest Charged	Allocated Salary and Overhead		
CAPITAL PROJECT FUND JOBS (continued):										
Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,581	\$ 2,662	\$ 124,321	\$ 127,233	\$ (1,331)
Project Development	-	-	-	-	-	57,326	4,073	119,083	178,612	(1,870)
Red River Basin Long Term Flood Control	-	-	-	-	-	2,681	182	6,121	8,893	(91)
Red River Fishing Pier	-	-	-	-	-	5,000	168	415	5,498	(85)
Four Legged Lake PWT	-	-	-	-	-	-	11	564	575	-
Turtle Lake/Cross Lake Study	-	-	-	-	-	36,506	1,070	12,083	-	(49,659)
Louisville/Parnell Project	-	-	-	-	-	1,494	34	61	1,572	(17)
Challenger Ditch Realign	-	-	-	60	-	-	3	106	49	-
Ring Dike Program - General	-	-	7,897	-	-	180	239	23,463	-	(15,985)
Ring Dike Program - Fladeland	-	21,824	10,894	-	-	159,745	2,994	6,730	-	(136,751)
Ring Dike Program - Beich	-	18,431	9,414	-	-	124,129	1,985	9,683	-	(107,952)
Ring Dike Program - Boll	-	-	-	-	-	2,005	103	1,328	3,384	(52)
Ring Dike Program - Hagge	-	-	-	-	-	-	108	2,458	-	(2,566)
Ring Dike Program - Cardinal	-	-	-	-	-	19,032	206	963	-	(20,201)
Ring Dike Program - Payment	-	-	-	-	-	24,967	325	2,423	-	(27,715)
Flood Storage Easmtc	-	-	-	-	-	284	8	94	386	-
G.I.S.	-	-	-	-	-	10,533	617	17,165	28,008	(307)
Wetland Banking	91,076	-	-	2,571	-	-	-	118	-	93,529
Ten Year Overall Plan	86,923	-	1,094,616	-	-	983,576	717	29,851	-	167,395
Thief River 1W1P	(24,898)	-	211,957	984	-	237,545	-	41,168	-	(90,670)
Clearwater River 1W1P	-	-	510,113	10,249	-	171,316	-	15,400	-	333,646
Upper/Lower RL1W1P	216	1,120	-	37	-	750	133	7,959	-	(7,469)
Parnell Storage Site	-	-	-	-	-	710	17	98	-	(825)
Red Lake River Watershed Assessment	-	-	-	-	-	-	1	22	23	-
Erosion Control Projects	-	-	-	-	-	18,000	253	592	18,719	(126)
Drainage- Inv & Insp	-	-	-	-	-	4,000	46	-	4,023	(23)
TR SWAGG	-	-	24,924	-	-	27,674	653	25,072	28,148	(327)
Black River Impoundment	-	9,403	543,404	13,585	-	(137,659)	-	4,983	-	699,068
TRF Westside FDR	-	-	-	-	-	8	4	111	123	-
Aqassiz Grant SILT	-	-	-	-	-	-	-	125	151	26
Mud River Project Work Team	-	-	43,479	-	-	100,264	2,294	20,341	-	(79,420)
Total Capital Projects	4,655,904	60,185	3,793,040	200,584	1,568,236	2,198,764	25,653	742,690	-	7,310,842
 Total All Funds	 \$ 5,515,826	 \$ 211,947	 \$ 3,845,550	 \$ 267,525	 \$ 1,785,340	 \$ 3,454,049	 \$ 76,721	 \$ -	 \$ -	 \$ 8,095,418

RED LAKE WATERSHED DISTRICT
STATEMENT OF DIRECT EXPENDITURES BY CLASSIFICATION –
GOVERNMENTAL FUNDS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>DIRECT EXPENDITURES:</u>	<u>2023</u>
Salaries -	
Inspection	\$ 45,015
Survey - Preliminary	5,699
Survey - Construction	1,510
Drafting	439
Engineering	11,000
Project Administration	328,309
Field Work - Water Programs	53,396
Other	137,619
Compensated Absences	512
Payroll Taxes and Benefits	209,474
Manager's Expense	69,225
Travel, Mileage, Meetings and Per Diems	8,502
Audit	10,400
Legal	47,201
Other Professional Fees	255,262
Office Supplies	9,227
Office Equipment	35,372
Dues and Subscriptions	10,131
Insurance and Bonds	33,541
Repairs and Maintenance	41,091
Utilities	8,496
Telephone	8,454
Advertising and Publications	9,119
Truck Expense	14,344
Miscellaneous	901
Construction	1,553,209
Engineering Costs and Fees	16,809
Engineering Fees	482,097
Engineering Equipment	47,695
	<hr/>
Total Expenditures	<u>\$ 3,454,049</u>

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Managers
Red Lake Watershed District
Thief River Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, each major fund, and the remaining fund information of the Red Lake Watershed District of Thief River Falls, Minnesota as of and for the year ended December 31, 2023 and the related notes to the financial statements, and have issued our report thereon dated April 22, 2024.

Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions of the *Minnesota Legal Compliance Audit Guide for 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 the District's noncompliance with the above referenced provisions insofar as they relate to accounting matters.

Purpose of the Report

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



BRADY, MARTZ & ASSOCIATES, P.C.
THIEF RIVER FALLS, MINNESOTA

April 22, 2024

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

Board of Managers
Red Lake Watershed District
Thief River Falls, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, each major fund, and the remaining fund information of the Red Lake Watershed District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Red Lake Watershed District's basic financial statements and have issued our report thereon dated April 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Red Lake 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 Red Lake Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Red Lake Watershed District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Red Lake Watershed District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Red Lake Watershed District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the finding identified in our audit and described in the accompanying schedule of findings and response. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



BRADY, MARTZ & ASSOCIATES, P.C.
THIEF RIVER FALLS, MINNESOTA

April 22, 2024

RED LAKE WATERSHED DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-001 Finding – Significant Deficiency

Criteria

An appropriate system of internal control requires the District to prepare financial statements in compliance with the cash basis of accounting.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board. However, the District currently does not prepare the financial statements, including the accompanying note disclosures, as required by the cash basis of accounting. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures. As a compensating control, the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review the financial statements disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review on an annual basis.

RED LAKE WATERSHED DISTRICT
CORRECTIVE ACTION PLAN
DECEMBER 31, 2023

2023-001 Finding

Contact Person – Tammy Audette, Administrator

Corrective Action Plan – Will establish a policy to document review of financial statements and notes.

Completion Date – Ongoing