

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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RED LAKE WATERSHED DISTRICT
OFFICIAL DIRECTORY
DECEMBER 31, 2024

Board of Managers

<u>Manager</u>	<u>County</u>	<u>Position</u>
Gene Tiedemann	West Polk	President
Terry Sorenson	East Polk	Vice President
LeRoy Ose	Marshall	Secretary
Tom Anderson	Clearwater	Treasurer
Brian Dwight	Beltrami	Manager
Allan Page	Red Lake	Manager
Grant Nelson	Pennington	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, 2024, 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, 2024, 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, schedule 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, schedule 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 May 7, 2025 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**

May 7, 2025

RED LAKE WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024

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, 2024, 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 \$917,653 for the year ended December 31, 2024.
- The general fund showed a decrease of cash basis fund balance in the amount of \$71,507.
- The District's General Fund ended the year with a fund balance of \$162,526.
- The District's combined fund balance at the close of the current year was \$9,013,071.

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, 2024

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 Revenue Fund, and Capital Projects Fund.

The basic governmental 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 18 through 27 of this report.

RED LAKE WATERSHED DISTRICT'S NET CASH POSITION

	2024	2023	Change 23-24
ASSETS			
Cash and Investments	\$ 9,012,951	\$ 8,095,418	\$ 917,533
Due from Fiduciary Fund	120	-	120
	<u>\$ 9,013,071</u>	<u>\$ 8,095,418</u>	<u>\$ 917,653</u>
NET CASH POSITION			
Restricted for Ditch Maintenance	\$ 673,062	\$ 550,543	\$ 122,519
Unrestricted	8,340,009	7,544,875	795,134
	<u>\$ 9,013,071</u>	<u>\$ 8,095,418</u>	<u>\$ 917,653</u>

At the end of 2024 and 2023, 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, 2024

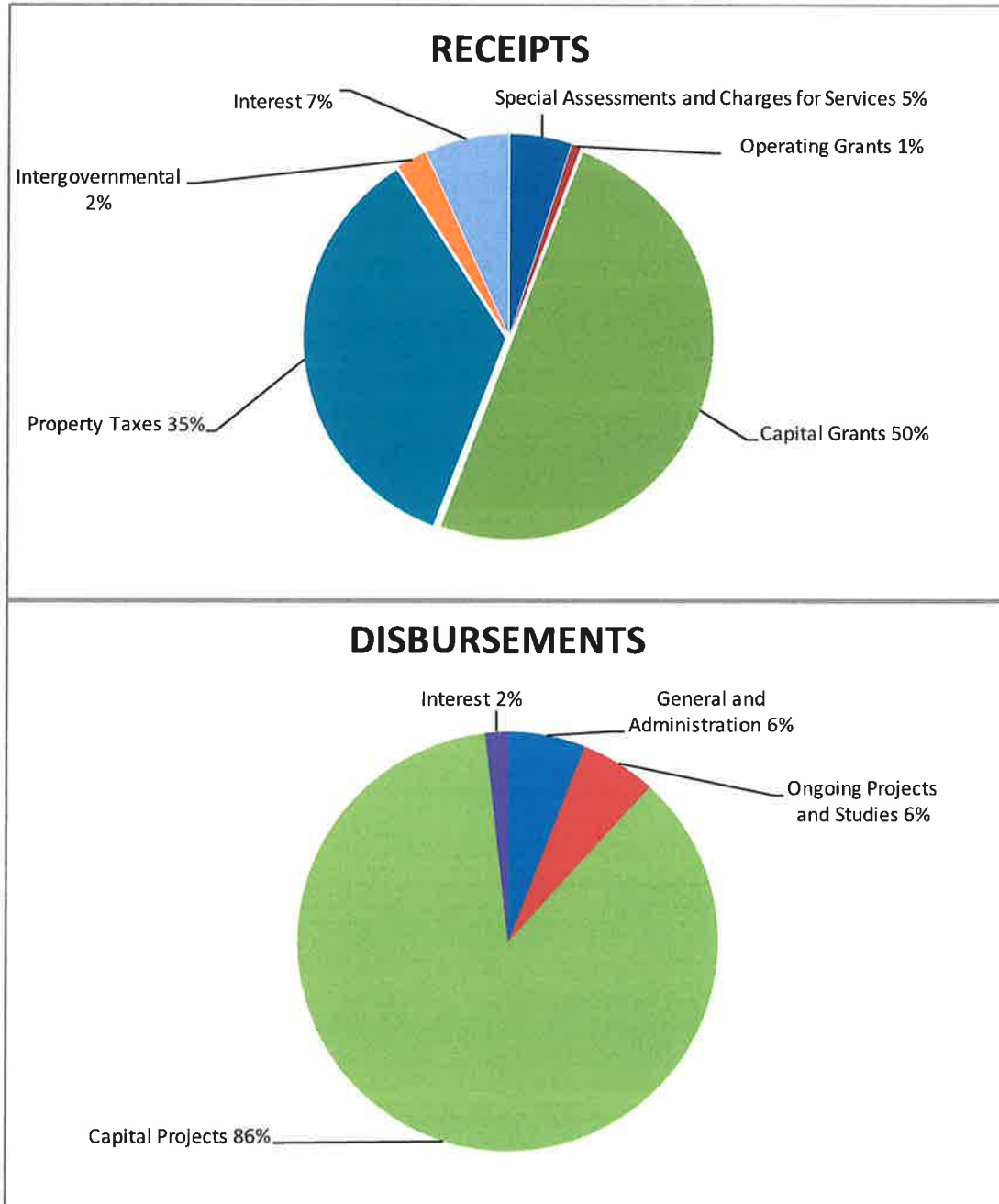
RED LAKE WATERSHED DISTRICT'S CHANGE IN NET CASH ASSETS

Governmental activities resulted in an increase of \$917,653 of Red Lake Watershed District's net cash position from the fiscal year 2023 to the current fiscal year. The details of the changes are as follows:

	<u>2024</u>	<u>2023</u>	<u>Change 23-24</u>
Receipts			
Program Revenues			
Special Assessments and Charges			
for Services	\$ 295,749	\$ 211,947	\$ 83,802
Operating Grants	43,501	52,510	(9,009)
Capital Grants	2,987,220	3,659,622	(672,402)
General Revenues			
Property Taxes	2,088,331	1,785,340	302,991
Intergovernmental	139,054	133,418	5,636
Interest	404,255	267,525	136,730
Total Receipts	<u>5,958,110</u>	<u>6,110,362</u>	<u>(152,252)</u>
Disbursements			
General and Administration	299,036	267,119	31,917
Ongoing Projects and Studies	294,629	245,476	49,153
Capital Projects	4,356,519	2,941,454	1,415,065
Allocated Interest	90,273	76,721	13,552
Total Disbursements	<u>5,040,457</u>	<u>3,530,770</u>	<u>1,509,687</u>
Increase (Decrease) in Net Position	<u>917,653</u>	<u>2,579,592</u>	<u>(1,661,939)</u>
Net Cash Position - January 1	<u>8,095,418</u>	<u>5,515,826</u>	<u>2,579,592</u>
Net Cash Position - December 31	<u>\$ 9,013,071</u>	<u>\$ 8,095,418</u>	<u>\$ 917,653</u>

RED LAKE WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2024

Below are specific graphs which provide comparisons of the receipts and disbursements for the year ended December 31, 2024:



RED LAKE WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2024

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, 2024, General Fund expenditures were \$65,944 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 2024 to help fund the construction of a bank stabilization project.

Pine Lake Project – Phase II

Phase II of the Pine Lake Outlet Structure included replacement of the existing arch pipe with a box culvert in the Lost River, downstream of the Pine Lake Outlet Structure. This structure was designed to allow more flow capacity during flood events at the same time allowing proper fish passage on the Lost River. Construction was completed in October 2024, at a final construction cost of \$395,023.

RED LAKE WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2024

One Watershed One Plan (1W1P)

The District continues to be the Fiscal Agent for three One Watershed One Plans (1W1P); the Red Lake River, Thief River, and Clearwater River. Funding through the Minnesota Board of Water and Soil Resources (BWSR) Clean Water Fund was awarded to these planning regions to complete various projects identified in the workplan approved by BWSR. It should be noted at the request of the Policy Committees formed to oversee the implementation of each individual plan; the District was appointed as the fiscal agent for the implementation of these three plans.

Implementation of the funds dispersed for the Red Lake River 1W1P in 2022 continued to be spent in 2024. These funds also include Supplemental Funds the Red Lake River 1W1P received in 2023. Funding for the 2022 grant and Supplemental Funds need to be spent by December 31, 2025. The Red Lake River 1W1P 2024 Grant in the amount of \$1,700,439 was executed on October 17, 2023. Funds for the 2024 Grant need to be spent by December 31, 2026. The Red Lake River 1W1P is working to finish the Mid-Point Assessment Grant in the amount of \$50,000, which allows for the assessment of the implementation process and plan amendment of the Red Lake River 1W1P.

In 2024, funds from the Thief River 1W1P 2022 WBIF grant in amount of \$529,892 were encumbered. The District and their partners worked to complete water quality projects in accordance with the approved 2022 work plan. Reconciliation of the 2022 grant will be completed by BWSR in 2025. The Thief River 1W1P 2024 WBIF grant in the amount of \$702,239, will expire on December 31, 2026.

The 2023 Clearwater River 1W1P grant in the amount of \$974,726, along with Supplemental Funds received for a total grant amount of \$1,364,752, will expire December 31, 2026. The 2025 Grant in the amount of \$1,485,882, was approved in 2024. Fifty percent of the grant was received in September 2024.

Federal Emergency Management Funds (FEMA)

In early 2022, projects within the District sustained significant damage in the amount of \$580,557. The District applied for and was awarded funding for repairs to the projects from the Federal Emergency Management Agency (FEMA). Final reimbursement of funds was received in 2024.

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, with final reimbursement in 2024.

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 was taken to the Minnesota Supreme Court in early 2024. The District has not received notice of the Minnesota Supreme Court ruling.

RED LAKE WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 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. Estimated project cost is \$2.3 million. The District and the city each committed \$800,000 to the project, with additional funding from MnBWSR Clean Water Fund Grant, Red River Watershed Management Board, and a MnDNR Flood Hazard Mitigation Grant. Construction will be completed in 2025.

Additional information for all Red Lake Watershed Districts projects can be found in the District's 2024 Annual Report at redlakewatershed.org

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, 2024

	<u>Total</u>
Assets	
Petty Cash	\$ 100
Pooled Cash and Investments	9,012,851
Due from fiduciary fund	<u>120</u>
Total Assets	<u>\$ 9,013,071</u>
Net Cash Position	
Restricted for Ditch Maintenance	\$ 673,062
Unrestricted	<u>8,340,009</u>
Total Net Cash Position	<u>\$ 9,013,071</u>

See Notes to the Basic Financial Statements

RED LAKE WATERSHED DISTRICT
STATEMENT OF ACTIVITIES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2024

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	\$ (1,064,764)	\$ 765,728	\$ (299,036)	\$ 1,371	\$ -	\$ -	\$ (297,665)
Ongoing Projects and Studies	(207,255)	(87,374)	(294,629)	231,471	43,501	-	(19,657)
Capital Projects	(3,678,165)	(678,354)	(4,356,519)	62,907	-	2,987,220	(1,306,392)
Allocated Interest	(90,273)	-	(90,273)	-	-	-	(90,273)
Total Governmental Activities	\$ (5,040,457)	\$ -	\$ (5,040,457)	\$ 295,749	\$ 43,501	\$ 2,987,220	\$ (1,713,987)
General Receipts:							
Tax Levies							\$ 2,088,331
Intergovernmental (not restricted to specific programs)							139,054
State MV and Disparity Reduction Credits							404,255
Allocated Interest							2,631,640
Total General Receipts							917,653
Change in Net Cash Position							8,095,418
Net Cash Position - Beginning							\$ 9,013,071
Net Cash Position - Ending							

See Notes to the Basic Financial Statements

RED LAKE WATERSHED DISTRICT
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS – GOVERNMENTAL FUNDS
DECEMBER 31, 2024

<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	162,306	673,062	8,177,483	9,012,851
Due from fiduciary fund	120	-	-	120
Total Assets	<u>\$ 162,526</u>	<u>\$ 673,062</u>	<u>\$ 8,177,483</u>	<u>\$ 9,013,071</u>

CASH FUND BALANCE

Restricted for Ditch Maintenance	\$ -	\$ 673,062	\$ -	\$ 673,062
Committed for Capital Projects	-	-	8,177,483	8,177,483
Unassigned	<u>162,526</u>	<u>-</u>	<u>-</u>	<u>162,526</u>
Total Cash Fund Balance	<u>\$ 162,526</u>	<u>\$ 673,062</u>	<u>\$ 8,177,483</u>	<u>\$ 9,013,071</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, 2024

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
RECEIPTS				
Property Taxes	\$ 250,000	\$ -	\$ 1,838,331	\$ 2,088,331
Special Assessments	-	229,188	1,108	230,296
Intergovernmental:				
Federal	-	-	285,621	285,621
State	-	20,130	2,525,710	2,545,840
Local	-	23,371	314,943	338,314
Other:				
Miscellaneous	1,371	2,283	61,799	65,453
Allocated Interest	9,696	28,623	365,936	404,255
Total Receipts	261,067	303,595	5,393,448	5,958,110
DISBURSEMENTS				
General and Administrative	299,036	-	-	299,036
Ongoing Projects and Studies	-	294,629	-	294,629
Capital Projects	-	-	4,356,519	4,356,519
Allocated Interest	33,538	13,129	43,606	90,273
Total Disbursements	332,574	307,758	4,400,125	5,040,457
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(71,507)	(4,163)	993,323	917,653
OTHER FINANCING SOURCES (USES)				
Transfers In	-	126,682	-	126,682
Transfers Out	-	-	(126,682)	(126,682)
Net Other Sources (Uses)	-	126,682	(126,682)	-
Net Change in Cash Fund Balance	(71,507)	122,519	866,641	917,653
CASH FUND BALANCE JANUARY 1	234,033	550,543	7,310,842	8,095,418
CASH FUND BALANCE DECEMBER 31	\$ 162,526	\$ 673,062	\$ 8,177,483	\$ 9,013,071

See Notes to the Basic Financial Statements

RED LAKE WATERSHED DISTRICT
STATEMENT OF NET CASH POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

<u>ASSETS</u>	Custodial Fund
Cash	\$ -
Total Assets	-
 <u>LIABILITIES</u>	
Due to General Fund	120
Total liabilities	120
 <u>NET CASH POSITION</u>	
Restricted for Red River Watershed Management Board	(120)
Total Net Cash Position	\$ (120)

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, 2024

	<u>Custodial Fund</u>
<u>ADDITIONS</u>	
<u>Property Taxes</u>	
Beltrami County	\$ 130,419
Clearwater County	280,710
Itasca County	991
Koochiching County	9,758
Mahnomen County	2,514
Marshall County	66,145
Pennington County	352,427
Polk County	815,406
Red Lake County	179,778
Roseau County	183
State - MV	<u>69,528</u>
 TOTAL ADDITIONS	 <u>1,907,859</u>
 <u>DEDUCTIONS</u>	
Red River Watershed Management Board	<u>1,907,979</u>
 TOTAL DEDUCTIONS	 1,907,979
 CHANGE IN NET CASH POSITION	 (120)
 NET CASH POSITION - BEGINNING	 <u>-</u>
 NET CASH POSITION - ENDING	 <u>\$ (120)</u>

See Notes to the Basic Financial Statements

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

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, Mahnomen, 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, 2024

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, 2024

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 the levy is limited by state statute at \$500,000 and set by the Board for 2024 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, 2024

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, 2024

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, 2024

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, 2024, 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, 2024, the District held no related-party investments.

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

Benefits Provided

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of the highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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. The 2024 annual increase was 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 prorated increase.

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.50 percent for General Plan members. The District's contributions to the General Employees Fund for the year ended December 31, 2024, were \$39,121. The District's contributions were equal to the required contributions as set by state statute.

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/.

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 2024 was \$765,728.

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, 2024, 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.

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 8 INTERFUND

The composition of interfund balances as of December 31, 2024 is as follows:

Transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects Fund	\$ -	\$ 126,682
Special Revenue Fund	<u>126,682</u>	<u>-</u>
Total	<u>\$ 126,682</u>	<u>\$ 126,682</u>

The transfer between funds is to recognize board actions to allocate funds to specific projects.

Due to/From Other Funds:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Fiduciary Fund	\$ 120

The purpose of the interfund loan is to cover a cash shortage from an overpayment to the Red River Water Management Board in 2024.

NOTE 9 CONSTRUCTION COMMITMENTS

The District had approximately \$2.1 million in construction commitments for capital projects as of December 31, 2024.

NOTE 10 NEW PRONOUNCEMENTS

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.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

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

RED LAKE WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 11 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through May 7, 2025, 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, 2024

	Original and Final Budget	Actual 2024	Variance
REVENUES			
Tax Levies	\$ 250,000	\$ 250,000	\$ -
Miscellaneous	3,000	1,371	(1,629)
Allocated Interest	-	9,696	9,696
Total Revenues	<u>253,000</u>	<u>261,067</u>	<u>8,067</u>
EXPENDITURES			
General and Administrative	266,630	299,036	32,406
Interest	-	33,538	33,538
Total Expenditures	<u>266,630</u>	<u>332,574</u>	<u>65,944</u>
Expenditures Exceed Revenues	<u>(13,630)</u>	<u>(71,507)</u>	<u>(57,877)</u>
FUND BALANCE JANUARY 1	<u>234,033</u>	<u>234,033</u>	
FUND BALANCE DECEMBER 31	<u>\$ 220,403</u>	<u>\$ 162,526</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 the levy is limited by state statute at \$500,000 and set by the Board for 2024 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, 2024

Project	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	\$ 234,033	\$ 1,371	\$ -	\$ 9,696	\$ 250,000	\$ 1,064,764	\$ 33,538	\$ (765,728)	\$ -	\$ 162,526
SPECIAL REVENUE FUND JOBS:										
002 Red Lake River Project	87,444	6,640	-	3,180	-	1,716	-	648	-	94,900
003 Clearwater River Project	61,617	8,103	-	2,284	-	-	-	836	-	71,168
004 Lost River Project	21,317	3,580	-	820	-	18	-	193	-	25,506
005 RLWD Ditch #1	7,868	2,603	-	285	-	1,170	-	709	-	8,877
007 RLWD Ditch #3	1,595	3,932	-	87	-	1,495	-	458	-	3,661
014 State Ditch #83	114,092	30,119	17,976	3,959	-	36,146	-	21,853	-	108,347
014D County Ditch #20/State Ditch #83	(436)	-	-	-	-	3,244	109	-	-	(3,789)
020 RLWD Ditch #7	2,556	8,764	-	163	-	3,185	-	555	-	7,743
035 Pine Lake Maintenance	(17,302)	10,148	-	-	-	500	779	4,473	-	(12,906)
036 RLWD Ditch #8	(3,559)	1,978	-	-	-	715	120	387	-	(2,803)
039 RLWD Ditch #9	195	177	-	76	-	-	-	-	-	448
041A J.D. Ditch #100	(8,227)	1,481	-	-	-	-	271	-	-	(7,017)
041AA J.D. Ditch #100 Maint.	1,459	5,369	-	110	-	975	-	773	-	5,190
041B J.D. Ditch #101	(3,951)	346	-	-	-	-	136	-	-	(3,741)
041BB J.D. Ditch #101 Maint.	6,660	5,958	-	359	-	-	-	129	-	12,848
043B Burnam Creek Channel	(1,709)	-	21,395	-	-	17,332	214	2,806	-	(666)
045 Clearwater/Wild Rice River	(3,285)	2,041	-	-	-	399	394	12,988	-	(15,025)
048 Branch A & 1. J.D. #2	7,320	6,389	-	358	-	650	-	161	-	13,256
049 Main J.D. #2 and Branch B&C	938	1,414	-	40	-	1,040	-	226	-	1,126
051 Main J.D. 2C. Eck	2,297	410	-	88	-	-	-	-	-	2,795
053 Krosius Petition	9,455	1,536	-	350	-	2,450	-	322	-	8,569
101 Clearwater County Joint Ditch #4	5,397	1,380	-	259	-	-	-	-	-	7,036
102 Clearwater County Joint Ditch #5	(5,771)	2,890	-	-	-	980	145	845	-	(4,851)
103 Clearwater County Ditch #1	207	1,408	-	32	-	-	-	-	-	1,647
109 Clifford Arneson Ditch	9,322	6,539	-	352	-	1,625	-	2,634	-	11,954
113 Winsor/Hangaard/Clearwater County Petition	2,875	3,554	-	-	-	4,310	-	5,642	-	(3,523)
115 Equality RLWD Ditch #1, lat C	1,889	4,588	-	117	-	845	-	226	-	5,523
117 K. Johnson Petition	1,683	2,313	-	43	-	1,050	-	1,560	-	1,429
119 Polk County Ditch #s 104, 61, 47, 94	27,889	16,050	-	534	-	24,206	-	8,640	-	11,627
122 TRF Drainage Ditch (Challenger Ditch)	2,430	91	-	87	-	-	-	32	-	2,576
123 Scott Baatz Petition	1,156	1,563	-	32	-	818	-	714	-	1,219
134 Polk County Ditch #63 Improvement	441	324	232	-	-	10,010	269	684	9,044	(922)
135 Polk County Ditch #33 Improvement	10,587	492	-	351	-	3,490	-	322	-	7,618
161 RLWD Ditch #10	78,067	913	-	2,681	-	4,663	-	376	-	76,622
166 RLWD Ditch #11	4,558	4,729	-	79	-	2,886	-	6,009	-	471
169 RLWD Ditch #12	7,894	12,209	-	227	-	14,453	-	1,664	-	4,213
170A RLWD Ditch #13	1,625	4,488	-	174	-	520	-	1,199	-	4,568
171 RLWD Ditch #14	(12,478)	20,426	126	-	-	9,196	178	1,922	4,913	1,791
171A TRF Damage Reduction Project	(2,198)	9,617	-	-	-	4,323	-	944	-	2,152

RED LAKE WATERSHED DISTRICT **SCHEDULE OF BALANCES BY PROJECT – CASH BASIS– CONTINUED** **FOR THE YEAR ENDED DECEMBER 31, 2024**

SPECIAL REVENUE FUND JOBS (Continued):											
	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)	Transfer	Fund Balance (Deficit) December 31
175	\$ 23,725	\$ 1,476	\$ 1,041	\$ 780	\$ -	\$ 5,086	\$ -	\$ 902	\$ 6,211	\$	\$ 27,245
176A	(11,106)	16,320	-	-	-	11,457	218	1,843	-	-	(8,304)
177	358,651	-	2,731	10,587	-	16,264	-	3,437	106,514	-	458,782
178A	(14,427)	19,113	-	128	-	4,306	-	354	-	-	155
179	(228,217)	-	-	-	-	15,732	10,296	208	-	-	(254,453)
	550,543	231,471	43,501	28,623	-	207,255	13,129	87,374	126,682	-	673,062
CAPITAL PROJECT FUND JOBS:											
009/015	5,102,234	-	69,527	249,940	1,838,331	1,865	-	-	(1,362,662)	-	5,895,505
001E	-	-	-	-	-	2,983	-	1,264	4,238	-	(9)
013	29	-	-	-	-	17,936	530	8,881	27,029	-	(289)
016	-	-	-	-	-	7	-	974	981	-	-
017	1,187	-	-	-	-	38,865	866	4,434	42,507	-	(471)
021	(351)	-	-	-	-	12,372	873	17,434	30,582	-	(448)
025	12,762	-	106	152	-	10,420	-	553	6,211	-	8,258
026	(10)	-	-	-	-	147	4	-	159	-	(2)
026A	(45)	-	-	-	-	17	44	1,821	1,904	-	(23)
026B	658,754	-	-	17,468	-	417,155	-	23,805	-	-	235,262
031	(1,575)	-	-	-	-	4,446	299	5,573	45,310	-	33,417
032	117,194	-	-	5,378	-	-	-	5,264	(47,447)	-	69,861
040	(202)	-	4,272	-	-	199	203	9,729	-	-	(5,061)
043A	(8)	-	-	-	-	128	-	2,108	2,244	-	-
046	300	-	-	-	-	67,845	-	93,011	164,118	-	(86)
046R	592,637	-	282,753	10,253	-	562,753	-	2,476	-	-	290,414
046S	216,929	-	-	7,953	-	78,753	-	7,338	-	-	138,791
050	(45)	-	-	-	-	-	6	212	263	-	-
050A	-	-	-	-	-	1,660	-	516	2,176	-	-
050C	3,755	-	-	132	-	-	-	-	-	-	3,887
050E	-	-	-	-	-	-	-	132	-	-	-
050F	90	-	-	-	-	3,184	196	10,498	13,683	-	(105)
050G	(93,038)	-	47,794	-	-	15,830	4,255	2,425	65,562	-	(2,192)
052	(16,193)	-	-	-	-	59,929	1,896	5,760	82,771	-	(1,007)
052	-	-	-	-	-	-	9	379	385	-	(3)
060B	(1,244)	2,993	-	-	-	3,103	123	1,196	2,611	-	(62)
060C	Euclid East Impoundment	-	-	-	-	5,409	176	1,590	4,985	-	(88)
060D	Brandt Impoundment	548	-	-	-	1,064	55	1,210	2,326	-	(29)
060E	Brandt Channel Restoration	(26)	-	-	-	240	125	5,976	6,315	-	(69)
060F	Grand Marais - Restoration	(43)	-	-	-	518	18	193	733	-	(10)
060FF	Grand Marais Cut Channel Stabilization	(14)	-	-	-	-	-	-	-	-	-
63	THIEF RIVER RESERVOIR	-	-	-	-	38,400	-	-	38,400	-	-
067	Red Lake Res/Good Lake	(2,912)	-	-	-	21,246	910	6,192	33,648	-	2,388
081	Parnell Impoundment	143	-	70	-	2,079	-	6,282	-	-	(5,026)
082F	Clearwater Public Education (River Watch)	(236)	-	-	-	2,640	1,075	40,824	44,137	-	(220)

RED LAKE WATERSHED DISTRICT
SCHEDULE OF BALANCES BY PROJECT – CASH BASIS– CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2024

	Fund Balance (Deficit) January 1	Assessments and Other Charges for Services	Revenues			Expenses		Transfer		Fund Balance (Deficit) December 31
			Operating/ Capital Grants and Contribution	Allocated Interest Earned	Taxes	Direct	Allocated Interest Charged	Allocated Salary and Overhead	In (Out)	
CAPITAL PROJECT FUND JOBS (continued):										
090 Permits	\$ (1,331)	\$ -	\$ -	\$ -	\$ -	\$ 1,565	\$ 2,716	\$ 136,951	\$ 118,963	\$ (23,600)
092 Project Development	(1,870)	-	-	-	-	12,692	2,542	82,617	98,383	(1,338)
092A Red River Basin Long Term Flood Control	(91)	-	-	-	-	6,092	276	2,227	8,545	(141)
097A Red River Fishing Pier	(85)	-	-	-	-	-	1	-	86	-
102A Four Legged Lake PWT	-	-	-	-	-	-	2	-	74	-
114 Turtle Lake/Cross Lake Study	(49,659)	-	21,704	-	-	271,662	8,731	9,176	-	(317,524)
121 Louisville/Parnell Project	(17)	12,463	-	7	-	1,262	-	32	-	11,159
122A Challenger Ditch Realign	-	(57)	-	-	-	-	4	-	74	(19)
129 Ring Dike Program - General	(15,985)	-	-	-	-	-	-	-	-	(536)
129AX Ring Dike Program - Fladeland	(136,751)	-	103,775	-	-	1,015	1,030	11,273	27,752	(1,861)
129AY Ring Dike Program - Beich	(107,952)	-	94,653	-	-	1,892	2,439	-	16,449	(1,181)
129AZ Ring Dike Program - Boll	(52)	-	-	-	-	-	-	-	52	-
129BA Ring Dike Program - Hegge	(2,566)	-	-	-	-	-	109	-	2,618	(57)
129BB Ring Dike Program - Cardinal	(20,201)	10,692	17,430	-	-	42,892	628	4,395	8,597	(31,397)
129BC Ring Dike Program - Payment	(27,715)	22,154	29,632	-	-	119,670	1,349	8,998	20,175	(85,771)
133C Flood Storage Easmtc	-	-	-	-	-	195	2	27	224	-
145 G.I.S.	(307)	-	-	-	-	-	200	7,725	8,124	(106)
147 Wetland Banking	93,529	-	-	3,951	-	-	-	54	-	97,426
149 Ten Year Overall Plan	167,395	-	940,217	19,420	-	546,013	-	39,132	77,129	619,016
149A Thief River 1W1P	(90,670)	-	404,109	4,405	-	409,903	-	42,783	-	(134,842)
149B Clearwater River 1W1P	333,646	-	937,954	17,768	-	514,157	-	13,639	23,500	785,072
149C Upper/Lower RL1W1P	(7,469)	982	-	-	-	3,007	540	9,887	19,710	(211)
154 Parnell Storage Site	(825)	-	-	-	-	520	55	400	-	(1,800)
157B THIEF RIVER TMDL	-	-	-	-	-	-	-	227	-	-
164 Erosion Control Projects	(126)	-	-	-	-	15,986	320	1,178	17,733	123
167A Drainage- Inv & Insp	(23)	-	-	-	-	4,000	100	-	4,074	(49)
168A TR SWAGG	(327)	-	67,574	763	-	17,252	-	20,544	-	30,214
174 C FLAGE EROSION CONT	-	-	-	-	-	2,056	-	1,150	3,206	-
176 Black River Impoundment	699,068	9,403	57,201	28,276	-	232,136	-	5,665	-	556,147
178 TRF Westside FDR	-	183	19,946	-	-	-	-	143	-	19,986
180B Agassiz Grant SILT	26	-	-	-	-	29	-	-	-	(3)
180C Mud River Project Work Team	(79,420)	-	27,627	-	-	87,192	3,504	3,936	144,620	(1,805)
181 THIEF RIVER AREA SUB-WATERSHED	-	-	-	-	-	15,784	-	8,039	23,823	-
Total Capital Projects	7,310,842	62,907	3,126,274	365,936	1,838,331	3,678,165	43,606	678,354	(126,682)	8,177,483
Total All Funds	\$ 8,095,418	\$ 295,749	\$ 3,169,775	\$ 404,255	\$ 2,088,331	\$ 4,950,184	\$ 90,273	\$ -	\$ -	\$ 9,013,071

RED LAKE WATERSHED DISTRICT
STATEMENT OF DIRECT EXPENDITURES BY CLASSIFICATION –
GOVERNMENTAL FUNDS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

<u>DIRECT EXPENDITURES:</u>	<u>2024</u>
Salaries -	
Inspection	\$ 23,683
Survey - Preliminary	7,333
Survey - Construction	129
Drafting	1,854
Engineering	48,126
Project Administration	308,820
Field Work - Water Programs	46,655
Other	120,257
Compensated Absences	2,380
Payroll Taxes and Benefits	208,891
Manager's Expense	67,722
Travel, Mileage, Meetings and Per Diems	22,251
Audit	15,423
Legal	34,012
Appraisal and Viewers	680
Other Professional Fees	733,367
Office Supplies	11,073
Office Equipment	26,534
Dues and Subscriptions	8,613
Insurance and Bonds	33,380
Repairs and Maintenance	43,103
Utilities	7,067
Telephone	9,732
Advertising and Publications	4,903
Truck Expense	13,486
Miscellaneous	219,872
Construction	2,430,883
Engineering Costs and Fees	15,936
Engineering Fees	442,860
Engineering Equipment	41,159
	<hr/>
Total Expenditures	\$ 4,950,184

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, 2024 and the related notes to the financial statements, and have issued our report thereon dated May 7, 2025.

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

May 7, 2025

**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, 2024, 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 May 7, 2025.

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 2024-001 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 responses. 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

May 7, 2025

**RED LAKE WATERSHED DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

2024-001 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, 2024

2024-001 Finding

Contact Person – Tammy Audette, Administrator

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

Completion Date – Ongoing

