

Middle Fork Crow River Watershed District

Audited Financial Statements

December 31, 2022

**SCHLENNER
WENNER & Co.**
CPAs

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
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**INTRODUCTORY
SECTION**

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
DISTRICT MANAGERS AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2022**

BOARD OF MANAGERS

		<u>Term Expires</u>
Ruth Schaefer	President	4/26/2025
Jay Hedtke	Vice President	4/26/2024
Jeff Gertgen	Secretary	4/26/2023
Shane Braegelman	Treasurer	4/26/2025
Kelsey Olson	Co-Treasurer	4/26/2024

DISTRICT OFFICIALS

Dan Coughlin	Administrator
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**FINANCIAL
SECTION**

INDEPENDENT AUDITOR'S REPORT

Board of Managers
Middle Fork Crow River Watershed District
Spicer, MN

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Middle Fork Crow River Watershed District (the District) as of and for the year ended December 31, 2022, 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Middle Fork Crow River Watershed District as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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.

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Middle Fork Crow River Watershed District's basic financial statements. The accompanying introductory section, combining nonmajor fund financial statements, budgetary comparison schedule for all funds, and schedule of indebtedness 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 combining nonmajor fund financial statements have 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory section, budgetary comparison schedule for all funds, and schedule of indebtedness have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2023 on our consideration of Middle Fork Crow River 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 solely to 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 Middle Fork Crow River Watershed 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 Middle Fork Crow River Watershed District's internal control over financial reporting and compliance.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

September 9, 2023

BASIC FINANCIAL STATEMENTS

MIDDLE FORK CROW RIVER WATERSHED DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,257,518
Property Taxes Receivable	22,005
Assessments Receivable	105,054
Accounts Receivable	4,434
Grants Receivable	35,327
Prepays	7,945
Noncurrent Assets:	
Capital Assets Not Being Depreciated	105,783
Capital Assets Being Depreciated (Net)	474,327
TOTAL ASSETS	2,012,393
 DEFERRED OUTFLOWS OF RESOURCES	
Pensions	110,241
 LIABILITIES	
Accounts Payable	9,785
Salaries Payable	5,359
Accrued Interest Payable	3,430
Accrued Vacation	13,297
Noncurrent Liabilities:	
Amount Due Within One Year	96,753
Amount Due After One Year	504,610
Net Pension Liability	245,521
TOTAL LIABILITIES	878,755
 DEFERRED INFLOWS OF RESOURCES	
Pensions	55,662
 NET POSITION	
Net Investment in Capital Assets	350,110
Unrestricted	838,107
TOTAL NET POSITION	\$ 1,188,217

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Capital Grants and Contributions	
Governmental Activities:				
Meetings and Seminars	\$ 728	\$ -	\$ -	\$ (728)
Contract Labor	1,908	-	-	(1,908)
Administrative	21,514	4,515	-	(16,999)
BMP Implementation Expense	10,761	-	-	(10,761)
Professional Services	166,800	-	140,144	(26,656)
Dues and Subscriptions	6,709	-	-	(6,709)
Employee Wages	189,746	-	-	(189,746)
Employee Benefits	72,760	-	-	(72,760)
Payroll Taxes	16,993	-	-	(16,993)
Utilities	6,704	-	-	(6,704)
Equipment and Maintenance	28,049	-	-	(28,049)
Monitoring	4,403	-	-	(4,403)
Public Education	260	-	-	(260)
Office Expense	3,197	-	-	(3,197)
Miscellaneous	966	-	-	(966)
Debt Service	10,617	-	-	(10,617)
Unallocated Depreciation	34,384	-	-	(34,384)
TOTALS	<u>\$ 576,499</u>	<u>\$ 4,515</u>	<u>\$ 140,144</u>	(431,840)
General Revenues:				
				761,907
				48,573
				238
				<u>22,926</u>
				<u>833,644</u>
CHANGE IN NET POSITION				401,804
NET POSITION - BEGINNING OF YEAR				<u>786,413</u>
NET POSITION - END OF YEAR				<u>\$ 1,188,217</u>

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General Fund	Survey & Data Acquisition	Clean Water Partnership Loans	Capital Improvements	Basic Water Management (HSW)
ASSETS					
Cash and Cash Equivalents	\$ 128,418	\$ -	\$ 201,210	\$ 162,749	\$ 418,944
Property Taxes Receivable	7,824	186	6,031	-	3,892
Assessments Receivable	-	-	103,287	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	123,520
Grants Receivable	-	-	-	-	-
Prepays	7,945	-	-	-	-
TOTAL ASSETS	<u>\$ 144,187</u>	<u>\$ 186</u>	<u>\$ 310,528</u>	<u>\$ 162,749</u>	<u>\$ 546,356</u>
LIABILITIES					
Accounts Payable	\$ 5,563	\$ 2,138	\$ -	\$ -	\$ 72
Salaries Payable	5,359	-	-	-	-
Due to Other Funds	-	106,440	-	-	-
Accrued Vacation	13,297	-	-	-	-
Total Liabilities	24,219	108,578	-	-	72
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Property Taxes	2,464	174	1,635	-	1,094
Special Assessments	-	-	103,287	-	-
Total Deferred Inflows of Resources	2,464	174	104,922	-	1,094
FUND BALANCES					
Nonspendable	7,945	-	-	-	-
Restricted	-	-	205,606	-	-
Assigned	-	-	-	162,749	545,190
Unassigned	109,559	(108,566)	-	-	-
Total Fund Balances	117,504	(108,566)	205,606	162,749	545,190
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 144,187</u>	<u>\$ 186</u>	<u>\$ 310,528</u>	<u>\$ 162,749</u>	<u>\$ 546,356</u>

MIDDLE FORK CROW RIVER WATERSHED DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
DECEMBER 31, 2022

	Diamond Lake Aquatic Plant Management	New London Basic Water Management	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 25,455	\$ 208,188	\$ 112,554	\$ 1,257,518
Property Taxes Receivable	-	4,072	-	22,005
Assessments Receivable	503	-	1,264	105,054
Accounts Receivable	-	-	4,434	4,434
Due from Other Funds	-	-	-	123,520
Grants Receivable	-	-	35,327	35,327
Prepays	-	-	-	7,945
TOTAL ASSETS	\$ 25,958	\$ 212,260	\$ 153,579	\$ 1,555,803
LIABILITIES				
Accounts Payable	\$ 144	\$ -	\$ 1,868	\$ 9,785
Salaries Payable	-	-	-	5,359
Due to Other Funds	-	-	17,080	123,520
Accrued Vacation	-	-	-	13,297
Total Liabilities	144	-	18,948	151,961
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Property Taxes	-	1,252	-	6,619
Special Assessments	-	-	-	103,287
Total Deferred Inflows of Resources	-	1,252	-	109,906
FUND BALANCES				
Nonspendable	-	-	-	7,945
Restricted	-	-	-	205,606
Assigned	25,814	211,008	153,579	1,098,340
Unassigned	-	-	(18,948)	(17,955)
Total Fund Balances	25,814	211,008	134,631	1,293,936
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 25,958	\$ 212,260	\$ 153,579	\$ 1,555,803

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022**

Total Fund Balances - Governmental Funds \$ 1,293,936

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:

Capital Assets	\$ 808,358	
Accumulated Depreciation	<u>(228,248)</u>	
Capital Assets (Net)		580,110

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds Balance Sheet:

Bond Principal Payable		(601,363)
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The net pension asset/liability and related deferred outflows/inflows represent the allocation of pension obligations to the District. Such balances are not reported in the funds:

Net Pension Liability	(245,521)	
Deferred Outflows - Pensions	110,241	
Deferred Inflows - Pensions	<u>(55,662)</u>	
		(190,942)

Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:

		(3,430)
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds:

Property Taxes Receivable		6,619
Special Assessments Receivable		<u>103,287</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,188,217

MIDDLE FORK CROW RIVER WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Survey & Data Acquisition	Clean Water Partnership Loans	Capital Improvements	Basic Water Management (HSW)
REVENUES					
Property Taxes	\$ 263,726	\$ 1,045	\$ 220,105	\$ -	\$ 138,741
Special Assessments	-	-	26,580	-	-
Intergovernmental	8,083	-	-	-	-
Charges for Services	4,515	-	-	-	-
Interest Income	72	-	46	21	62
Miscellaneous	-	-	-	-	-
TOTAL REVENUES	276,396	1,045	246,731	21	138,803
EXPENDITURES					
Current:					
Meetings and Seminars	728	-	-	-	-
Contract Labor	-	-	-	-	-
Administrative	21,514	-	-	-	-
BMP Implementation Expense	511	-	-	2,377	-
Professional Services	62,127	-	-	-	72
Dues and Subscriptions	6,709	-	-	-	-
Employee Wages	104,294	-	33,197	-	3,787
Employee Benefits	29,087	-	10,036	-	1,050
Payroll Taxes	9,467	-	2,813	-	329
Utilities	6,704	-	-	-	-
Equipment and Maintenance	3,649	-	24,400	-	-
Monitoring	214	4,189	-	-	-
Public Education	155	-	-	-	-
Office Expense	725	-	-	-	-
Miscellaneous	966	-	-	-	-
Capital Outlay	2,472	-	-	-	-
Debt Service:					
Principal	-	-	58,774	-	-
Interest and Other Charges	-	-	11,149	-	-
TOTAL EXPENDITURES	249,322	4,189	140,369	2,377	5,238
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	27,074	(3,144)	106,362	(2,356)	133,565
OTHER FINANCING SOURCES (USES)					
Transfers In	171,113	-	-	-	-
Transfers Out	-	-	(171,113)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	171,113	-	(171,113)	-	-
NET CHANGE IN FUND BALANCES	198,187	(3,144)	(64,751)	(2,356)	133,565
FUND BALANCES - BEGINNING	(80,683)	(105,422)	270,357	165,105	411,625
FUND BALANCES - ENDING	\$ 117,504	\$ (108,566)	\$ 205,606	\$ 162,749	\$ 545,190

MIDDLE FORK CROW RIVER WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

	Diamond			
	Lake Aquatic	New London	Nonmajor	Total
	Plant	Basic Water	Governmental	Governmental
	Management	Management	Funds	Funds
REVENUES				
Property Taxes	\$ -	\$ 139,423	\$ -	\$ 763,040
Special Assessments	59,841	-	59,985	146,406
Intergovernmental	-	15,877	128,164	152,124
Charges for Services	-	-	-	4,515
Interest Income	-	21	16	238
Miscellaneous	-	-	22,926	22,926
TOTAL REVENUES	<u>59,841</u>	<u>155,321</u>	<u>211,091</u>	<u>1,089,249</u>
EXPENDITURES				
Current:				
Meetings and Seminars	-	-	-	728
Contract Labor	989	-	919	1,908
Administrative	-	-	-	21,514
BMP Implementation Expense	-	-	7,873	10,761
Professional Services	55,388	-	49,213	166,800
Dues and Subscriptions	-	-	-	6,709
Employee Wages	1,633	2,768	44,067	189,746
Employee Benefits	528	597	12,723	54,021
Payroll Taxes	156	227	4,001	16,993
Utilities	-	-	-	6,704
Equipment and Maintenance	-	-	-	28,049
Monitoring	-	-	-	4,403
Public Education	-	-	105	260
Office Expense	-	-	-	725
Miscellaneous	-	-	-	966
Capital Outlay	-	-	-	2,472
Debt Service:				
Principal	-	-	-	58,774
Interest and Other Charges	-	-	-	11,149
TOTAL EXPENDITURES	<u>58,694</u>	<u>3,592</u>	<u>118,901</u>	<u>582,682</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,147	151,729	92,190	506,567
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	171,113
Transfers Out	-	-	-	(171,113)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,147	151,729	92,190	506,567
FUND BALANCES - BEGINNING	<u>24,667</u>	<u>59,279</u>	<u>42,441</u>	<u>787,369</u>
FUND BALANCES - ENDING	<u>\$ 25,814</u>	<u>\$ 211,008</u>	<u>\$ 134,631</u>	<u>\$ 1,293,936</u>

See accompanying notes.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ 506,567

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:

Depreciation Expense (34,384)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long term debt and related items:

Debt Principal Repayments 58,774

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:

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Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:

Property Taxes (1,133)

Special Revenues (6,262)

Grants Receivable (103,551)

(110,946)

Certain liabilities do not represent the impending use of current resources.

Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net Pension Liability and Deferred Outflows/Inflows of Resources (18,739)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 401,804

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Middle Fork Crow River Watershed District (the District) was established on April 27, 2005 to benefit the public welfare and public interest, and advance the purpose of Minnesota Statutes Chapter 103D. The District includes approximately 271 square miles in Kandiyohi, Meeker, Pope, and Stearns Counties.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1.A. FINANCIAL REPORTING ENTITY

The District was established in 2005 pursuant to applicable Minnesota laws and statutes. The District is governed by an elected board of five managers with three managers from Kandiyohi County, one manager from Meeker County, and one manager from Stearns County. Board elections are held annually at the first regular meeting of the fiscal year.

In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the District appointed a voting majority of the units' board; the District is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the District's Board of Managers or the component unit provides services entirely to the District. These component units' funds are blended into those of the District's by appropriate activity type to compose the primary government presentation. Currently, the District does not have any blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the District has no discretely presented component units.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Funds of the District are all in the governmental category. 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:

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least five percent of the corresponding total for all governmental and proprietary funds combined.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund and is always classified as a major fund. It accounts for all financial resources of the general government, except those legally or administratively required to be accounted for in other funds.

The *Survey & Data Acquisition Fund* is a special revenue fund used to account for expenditures incurred for surveying and acquiring data. Such expenditures are financed via property taxes, which can only be assessed once every five years, under Minnesota Statute 103D.905. This property tax levy was most recently assessed for the payable year 2021.

The *Clean Water Partnership Loans Fund* is a debt service fund used to account for the financial activity of the District's indebtedness, including the associated revenues from property taxes and assessments, which are used to finance the required debt service expenditures.

The *Capital Improvements Fund* is a capital project fund used to account for funds to be used for future improvements and the financial activity of various projects completed by the District.

The *Basic Water Management (HSW) Fund* is a capital project fund used to account for property tax dollars that are to be applied to expenditures for basic water management projects.

The *Diamond Lake Aquatic Plant Management Fund* is a capital project fund used to account for the financial activity associated with aquatic plant management projects at Diamond Lake.

The *New London Basic Water Management Fund* is a capital project fund used to account for the financial activity associated with basic water management projects in the City of New London and surrounding area.

Additionally, the District reports the following nonmajor fund types:

The *Special Revenue Funds* account for funds received by the District with a specific purpose.

The *Capital Project Funds* account for financial resources to be used for the acquisition or construction of capital projects.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the *economic resources* measurement focus as defined in the second bullet point below.

MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

In the fund financial statements, the *current financial resources* measurement focus or the *economic resources* measurement focus is used as appropriate:

- 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.
- The government-wide financial statements utilize an *economic resources* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery) and financial position. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with their activities are reported.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the *accrual basis of accounting*. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the *modified accrual basis of accounting*. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

1.D. USE OF ESTIMATES

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

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all checking and savings accounts of the District. See Note 2.A. for additional information related to Cash and Cash Equivalents.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and are not deemed necessary at year end. Major receivable balances for the governmental activities include taxes, special assessments, grants, and occasionally loan proceeds receivable.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes and other similar intergovernmental revenues since they are usually both measurable and available. Revenues collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis, but are not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. No allowances are deemed necessary at year end.

Prepaid Expenditures/Expenses

Prepays represent expenditures/expenses paid during the current year to be recognized in future periods.

Capital Assets

Capital assets are defined by the District as purchases made for items with an individual cost of \$2,500 or more and must have an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The range of estimated useful lives by type of asset is as follows:

Computer Equipment	3-5 years
Furniture	10-15 years
Monitoring Equipment	5-10 years
Educational Tools (exhibits)	15 years
Property	40 years

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an unallocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fund Financial Statements

Capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated Absences

Under the District's policies, employees are granted vacation leave based on their length of services. Unused accumulated vacation time is paid to employees upon termination. An employee cannot carry a balance of more than 240 hours of vacation time at any time. Compensated absences are accrued when incurred and a liability for these amounts is reported in the government funds.

MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Long-Term Debt

The accounting treatment of long-term debt and other long-term obligations depends on whether the liabilities are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists of limited tax bonds payable and notes payable for the MN Clean Water Partnership Project.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Net Pension Liability

The net pension liability represents the District's allocation of its pro-rata share of the net pension liabilities of the Statewide pension plans administered by the Public Employees Retirement Association.

PERA

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources (expense) until then. The District reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension fund in which District employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenues as deferred inflows of resources in the fund-level Balance Sheet. Unavailable revenues consist of property taxes and special assessments. Accordingly, these amounts are deferred and recognized as inflows of resources in the period that they become available, in accordance with the modified accrual basis of accounting. In addition, the District reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension fund in which District employees participate.

See Note 3 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

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

Restricted – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the District’s policy to consider restricted net position to its depletion before unrestricted net position is applied.

Fund Statements

In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned or unassigned. When the District incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the District incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2022 consists of prepaid expenditures.

Restricted – The portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District’s Board of Managers, which is the highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the District’s Board modifies or rescinds the commitment by resolution.

Assigned – Amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. The authority to assign fund balance has not been formally delegated by the Board of Managers.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The District has not adopted a formal policy regarding the minimum unassigned fund balance to be maintained in the General Fund.

See Note 2.E. for additional disclosures.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. REVENUES AND EXPENDITURES

Property Tax

An ad valorem property tax may be levied against all properties in the District with levy limits prescribed by State Statute. Property tax levies must be approved by the District Board and certified by the Kandiyohi, Meeker, Pope, and Stearns County Auditors during the month of October of each year for collection in the following year. Taxes are payable to the counties in two installments by May 15 and October 15. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

Special assessment levies may be approved by the District Board for maintenance and construction purposes in accordance with State statutes. These assessments are charged against those properties benefiting from the maintenance and construction. Special assessments must be certified to the County Auditors in a manner similar to property taxes.

Property taxes and special assessments receivable consist of amounts certified to Kandiyohi, Meeker, Pope, and Stearns Counties but not yet collected. Special assessments receivable are recorded when the full levy amount is submitted to the County, though actual assessment against property owners may occur over several years.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. See Note 2.D. for additional information.

1.G. RECLASSIFICATIONS

Effective for the year ended December 31, 2022, the District made extensive modifications to its financial reporting practices. These changes included substantial revisions to the existing fund structure, to better segregate the District's finances and improve the clarity of the District's financial reporting. As a result of this effort, certain portions of the District's finances that were reported as individual funds in the prior year were disaggregated, to be reported as separate funds in the current year. Therefore, while beginning 2022 fund balances for all governmental funds agrees to the ending fund balances from the 2021 audited financial statements for all governmental funds in aggregate, the beginning fund balances presented for each individual fund in the 2022 financial statements have been reclassified to conform with the current year presentation.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, revenues and expenditures/expenses.

2.A. CASH AND CASH EQUIVALENTS

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's Board of Managers. Minnesota Statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100 percent if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The District complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the Board of Managers.

At December 31, 2022, the District's deposits were not exposed to custodial credit risk. The District's deposits were sufficiently covered by federal depository insurance or by collateral held by the District's agent in the District's name.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 is as follows:

	Balance at 01/01/22	Additions	Disposals	Transfers	Balance at 12/31/22
Capital Assets not Being Depreciated					
Land	\$ 105,783	\$ -	\$ -	\$ -	\$ 105,783
Capital Assets Being Depreciated					
Equipment	702,575	-	-	-	702,575
Less: Accumulated Depreciation					
Equipment	<u>(193,864)</u>	<u>(34,384)</u>	<u>-</u>	<u>-</u>	<u>(228,248)</u>
Total Capital Assets Being Depreciated, Net	<u>508,711</u>	<u>(34,384)</u>	<u>-</u>	<u>-</u>	<u>474,327</u>
Capital Assets, Net	<u>\$ 614,494</u>	<u>\$ (34,384)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 580,110</u>

All depreciation expense is unallocated as of December 31, 2022.

2.C. NONCURRENT LIABILITIES

Debt Detail

As of December 31, 2022, the long-term debt of the financial reporting entity consists of the following:

Notes Payable - MN Clean Water Partnership Project					
Issue Dates	Original Amounts	Annual Principal Payments	Interest Rates	Maturity Dates	Remaining Amounts
06/11	\$ 200,000	\$12,071 - \$14,439	2.00%	12/24	\$ 28,592
07/15	100,000	\$9,325 - \$10,934	2.00%	06/28	58,109
10/18	375,000	\$18,750	0.00%	12/30	284,662
					<u>\$ 371,363</u>
Limited Tax Bonds					
Issue Date	Original Amounts	Annual Principal Payments	Interest Rates	Maturity Date	Remaining Amounts
10/12	\$ 495,000	\$20,000 - \$40,000	3.50%	02/28	<u>\$ 230,000</u>

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities, excluding net pension liability, for the year ended December 31, 2022:

Type of Debt	Balance 01/01/22	Additions	Reductions	Balance 12/31/22	Due Within One Year
MN Clean Water Partnership Project	\$ 42,467	\$ -	\$ (13,875)	\$ 28,592	\$ 14,155
MN Clean Water Partnership Project	68,008	-	(9,899)	58,109	10,098
MN Clean Water Partnership Project	284,662	-	-	284,662	37,500
Limited Tax Bonds	<u>265,000</u>	<u>-</u>	<u>(35,000)</u>	<u>230,000</u>	<u>35,000</u>
Total	<u>\$ 660,137</u>	<u>\$ -</u>	<u>\$ (58,774)</u>	<u>\$ 601,363</u>	<u>\$ 96,753</u>

Debt service requirements are financed by the Debt Service Fund.

Annual Debt Service Requirements

At December 31, 2022, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

Year Ended December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 96,753	\$ 9,051	\$ 105,804
2024	97,239	7,339	104,578
2025	88,008	5,602	93,610
2026	88,219	3,991	92,210
2027	88,434	2,375	90,809
2028-2030	<u>142,710</u>	<u>756</u>	<u>143,466</u>
Totals	<u>\$ 601,363</u>	<u>\$ 29,114</u>	<u>\$ 630,477</u>

Interest expense totals \$10,222 for the Statement of Activities. Interest expenditures are \$10,754 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

2.D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2022:

Fund	Transfers Out	Transfers In General
	Clean Water Partnership Loans	<u>\$ 171,113</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. INTERFUND TRANSACTIONS AND BALANCES (Continued)

The transfer above was conducted for the purpose of reimbursing the General Fund for debt service expenditures incurred in recent years, which are eligible for financing via the levy dollars in the Clean Water Partnership Loans fund.

Interfund balances consist of the following at December 31, 2022:

<u>Short-Term Balances</u>			
<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Reason</u>
Basic Water Management	Survey & Data Acquisition	\$ 106,440	Eliminate negative cash
Basic Water Management	CD-47 Project	<u>17,080</u>	Eliminate negative cash
Total Interfund Balances		<u>\$ 123,520</u>	

Interfund balances above are to be repaid as cash flows become available from future levies, assessments, or grant funding.

2.E. FUND EQUITY

At December 31, 2022, fund equity consists of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund					
Nonspendable - Prepays	\$ 7,945	\$ -	\$ -	\$ -	\$ -
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,559</u>
Total General Fund Balance	<u>\$ 7,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,559</u>
Survey & Data Acquisition Fund					
Unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (108,566)</u>
Clean Water Patnership Loans Fund					
Restricted for CWP Loans	<u>\$ -</u>	<u>\$ 205,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital Improvements Fund					
Assigned for Capital Improvements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,749</u>	<u>\$ -</u>
Basic Water Management (HSW) Fund					
Assigned for Water Management Projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 545,190</u>	<u>\$ -</u>
Diamond Lake Aquatic Plant Management Fund					
Assigned for Aquatic Plant Management Projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,814</u>	<u>\$ -</u>
New London Basic Water Management Fund					
Assigned for Water Management Projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,008</u>	<u>\$ -</u>

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. FUND EQUITY (Continued)

Nonmajor Governmental Funds								
Assigned for Watershed Pollutant Load Monitoring	\$	-	\$	-	\$	20,805	\$	-
Assigned for 1WIP Projects		-		-		44,455		-
Assigned for Nest Lake Curly Leaf Pondweed		-		-		38,604		-
Assigned for WRAPS 2		-		-		49,715		-
Unassigned		-		-		-		(18,948)
		<u>-</u>		<u>-</u>		<u>-</u>		<u>(18,948)</u>
 Total Nonmajor Governmental Funds Balance	 \$	 -	 \$	 -	 \$	 153,579	 \$	 (18,948)

Additionally, the following nonmajor funds had deficit fund balances at year-end, as shown below:

<u>Fund</u>	<u>Fund</u>
CD-47 Project Fund	\$ (18,948)

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA’s defined benefit pension plans are 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 Retirement Plan

All full-time and certain part-time employees of Middle Fork Crow River Watershed District are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions 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

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 of average salary 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.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

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. For 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the District was required to contribute 6.50 percent for Coordinated Plan members. The District’s contributions to the General Employees Fund for the year ended December 31, 2022 total \$14,047. The District’s contributions were equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the District reported a liability of \$245,521 for its proportionate share of the General Employees Fund’s net pension liability. The District’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the District totaled \$6,993. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on the District’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA’s participating employers. The District’s proportionate share was 0.0031 percent at the end of the measurement period and 0.0040 percent for the beginning of the period.

District’s proportionate share of the net pension liability:	\$245,521
State of Minnesota’s proportionate share of the net pension liability associated with the District	6,993
Total	\$252,514

For the year ended December 31, 2022, the District recognized pension expense of \$28,415 for its proportionate share of the General Employees Plan’s pension expense. In addition, the District recognized an additional \$1,045 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

At December 31, 2022, the District reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 2,051	\$ 3,331
Changes in Actuarial Assumptions	71,211	1,063
Difference Between Projected and Actual Investment Earnings	-	22,443
Changes in Proportionate Share	30,659	28,825
Contributions Paid to PERA Subsequent to the Measurement Date	6,320	-
Total District Deferred Outflows/Inflows	\$ 110,241	\$ 55,662

The \$6,320 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2023	\$ 30,580
2024	\$ 21,986
2025	\$ (26,511)
2026	\$ 22,204

Total Pension Expense

The total pension expense recognized by the District for the year ended December 31, 2022, including amortization of prior year deferred balances, was \$19,784.

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	<u>25.0%</u>	5.90%
Total	<u>100%</u>	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA’s experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Pension Liability Sensitivity

The following presents the District’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (5.50%)	Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
Net Pension Liability	\$ 387,813	\$ 245,521	\$ 128,819

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 4 OTHER NOTES

4.A. RELATED PARTY TRANSACTIONS

A Board member has entered into several agreements with the District for financial assistance associated with the Board member’s business, which resulted in amounts to be repaid to the District via assessments. At December 31, 2022, the outstanding balance due from the related party is \$44,100.

4.B. RISK MANAGEMENT

Claims and Judgements

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the purchases commercial insurance. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported. The District’s management is not aware of any incurred but not reported claims.

4.C. NEW ACCOUNTING STANDARD

May 2020, the Government Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 (GASB 96) increases the usefulness of governmental financial statements by requiring recognition of right-to-use assets and liabilities for subscription-based information technology arrangements. GASB 96 will be effective for the District’s fiscal year ended December 31, 2023. The effect on net position may be significant.

**REQUIRED SUPPLEMENTARY
INFORMATION**

MIDDLE FORK CROW RIVER WATERSHED DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees Retirement Pension Plan							
2022	0.0031%	\$ 245,521	\$ 6,993	\$ 252,514	\$ 229,144	110.20%	76.67%
2021	0.0040%	\$ 170,818	\$ 5,188	\$ 176,006	\$ 290,765	60.53%	87.00%
2020	0.0033%	\$ 197,850	\$ 6,098	\$ 203,948	\$ 237,724	85.79%	79.06%
2019	0.0026%	\$ 143,748	\$ 4,500	\$ 148,248	\$ 183,379	80.84%	80.20%
2018	0.0032%	\$ 177,523	\$ 5,814	\$ 183,337	\$ 216,733	84.59%	79.50%
2017	0.0025%	\$ 159,598	\$ 2,045	\$ 161,643	\$ 164,147	98.47%	75.90%
2016	0.0025%	\$ 202,988	\$ 2,617	\$ 205,605	\$ 154,096	133.43%	68.90%
2015	0.0017%	\$ 88,103	\$ -	\$ 88,103	\$ 102,262	86.15%	78.20%

Note: The schedule is provided prospectively beginning with District's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

MIDDLE FORK CROW RIVER WATERSHED DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>General Employees Retirement Pension Plan</i>					
2022	\$ 14,047	\$ 14,047	\$ -	\$ 187,291	7.50%
2021	\$ 20,789	\$ 20,789	\$ -	\$ 277,184	7.50%
2020	\$ 19,948	\$ 19,948	\$ -	\$ 265,977	7.50%
2019	\$ 15,305	\$ 15,305	\$ -	\$ 204,072	7.50%
2018	\$ 15,007	\$ 15,007	\$ -	\$ 200,093	7.50%
2017	\$ 15,080	\$ 15,080	\$ -	\$ 201,071	7.50%
2016	\$ 11,458	\$ 11,458	\$ -	\$ 152,780	7.50%
2015	\$ 9,855	\$ 9,855	\$ -	\$ 131,398	7.50%

Note: The schedule is provided prospectively beginning with District's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**SUPPLEMENTARY
INFORMATION**

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Special Revenue		Capital Project			Total Nonmajor Funds
	Watershed		Nest Lake			
	Pollutant Load Monitoring Network	One Watershed One Plan	Curly Leaf Pondweed	WRAPS 2	CD-47 Project	
ASSETS						
Cash and Cash Equivalents	\$ 20,692	\$ 40,021	\$ 37,340	\$ 14,501	\$ -	\$ 112,554
Assessments Receivable	-	-	1,264	-	-	1,264
Accounts Receivable	-	4,434	-	-	-	4,434
Due from Other Governments	113	-	-	35,214	-	35,327
TOTAL ASSETS	<u>\$ 20,805</u>	<u>\$ 44,455</u>	<u>\$ 38,604</u>	<u>\$ 49,715</u>	<u>\$ -</u>	<u>\$ 153,579</u>
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 1,868	\$ 1,868
Due to Other Funds	-	-	-	-	17,080	17,080
Total Liabilities	-	-	-	-	18,948	18,948
FUND BALANCES						
Assigned	20,805	44,455	38,604	49,715	-	153,579
Unassigned	-	-	-	-	(18,948)	(18,948)
Total Fund Balances	<u>20,805</u>	<u>44,455</u>	<u>38,604</u>	<u>49,715</u>	<u>(18,948)</u>	<u>134,631</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,805</u>	<u>\$ 44,455</u>	<u>\$ 38,604</u>	<u>\$ 49,715</u>	<u>\$ -</u>	<u>\$ 153,579</u>

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Special Revenue		Capital Project			Total Nonmajor Funds
	Watershed Pollutant Load Monitoring Network	One Watershed One Plan	Nest Lake Curly Leaf Pondweed	WRAPS 2	CD-47 Project	
REVENUES						
Special Assessments	\$ -	\$ -	\$ 59,985	\$ -	\$ -	\$ 59,985
Intergovernmental	3,258	62,719	-	62,187	-	128,164
Interest Income	3	-	8	5	-	16
Miscellaneous	-	22,926	-	-	-	22,926
TOTAL REVENUES	<u>3,261</u>	<u>85,645</u>	<u>59,993</u>	<u>62,192</u>	<u>-</u>	<u>211,091</u>
EXPENDITURES						
Current:						
Contract Labor	-	-	919	-	-	919
BMP Implementation Expense	-	7,873	-	-	-	7,873
Professional Services	-	-	47,345	-	1,868	49,213
Employee Wages	1,394	8,088	2,183	19,196	13,206	44,067
Employee Benefits	422	2,590	707	6,214	2,790	12,723
Payroll Taxes	117	758	209	1,833	1,084	4,001
Public Education	-	105	-	-	-	105
TOTAL EXPENDITURES	<u>1,933</u>	<u>19,414</u>	<u>51,363</u>	<u>27,243</u>	<u>18,948</u>	<u>118,901</u>
NET CHANGE IN FUND BALANCES	1,328	66,231	8,630	34,949	(18,948)	92,190
FUND BALANCES - BEGINNING	<u>19,477</u>	<u>(21,776)</u>	<u>29,974</u>	<u>14,766</u>	<u>-</u>	<u>42,441</u>
FUND BALANCES - ENDING	<u>\$ 20,805</u>	<u>\$ 44,455</u>	<u>\$ 38,604</u>	<u>\$ 49,715</u>	<u>\$ (18,948)</u>	<u>\$ 134,631</u>

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 609,620	\$ 763,040	\$ 153,420
Special Assessments	260,000	146,406	(113,594)
Intergovernmental Revenue			
State Revenue			
Market Value Credit	-	8,083	8,083
Other State Grants and Aids	251,500	140,783	(110,717)
Local Revenue			
Other Local Grants	-	3,258	3,258
Total Intergovernmental Revenue	251,500	152,124	(99,376)
Charges for Services			
General Government	14,500	4,515	(9,985)
Miscellaneous Revenue			
Investment Earnings	1,900	238	(1,662)
Refunds and Reimbursements	10,190	22,926	12,736
Total Miscellaneous Revenue	12,090	23,164	11,074
TOTAL REVENUES	1,147,710	1,089,249	(58,461)
EXPENDITURES			
Conservation of Natural Resources			
Current			
Meetings and Seminars	6,500	728	(5,772)
Administrative Expense	10,000	21,514	11,514
BMP Implementation Expense	100,000	10,761	(89,239)
Professional Services	245,000	166,800	(78,200)
Dues and Subscriptions	4,900	6,709	1,809
Payroll Expense	223,389	189,746	(33,643)
Payroll Tax Expense	19,676	16,993	(2,683)
Employee Benefits	69,314	54,021	(15,293)
Utilities	8,500	6,704	(1,796)
Equipment and Maintenance	3,500	28,049	24,549
Monitoring	8,500	4,403	(4,097)
Public Education	5,000	260	(4,740)
Contract Labor	-	1,908	1,908
Office Expense	7,000	725	(6,275)
Capital Outlay	-	2,472	2,472
Total Conservation of Natural Resources	711,279	511,793	(199,486)

MIDDLE FORK CROW RIVER WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE – ALL GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
	<u> </u>	<u> </u>	<u> </u>
Miscellaneous Expenditures			
Other Expenditures			
Miscellaneous	2,000	966	(1,034)
Unallocated Insurance	14,500	-	(14,500)
Total Miscellaneous Expenditures	<u>16,500</u>	<u>966</u>	<u>(15,534)</u>
Debt Service			
Principal Payments	59,000	58,774	(226)
Interest and Other Fiscal Charges	15,000	11,149	(3,851)
Total Debt Service	<u>74,000</u>	<u>69,923</u>	<u>(4,077)</u>
TOTAL EXPENDITURES	<u>801,779</u>	<u>582,682</u>	<u>(219,097)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 345,931</u>	506,567	<u>\$ 160,636</u>
FUND BALANCES - BEGINNING		<u>787,369</u>	
FUND BALANCES - ENDING		<u>\$ 1,293,936</u>	

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/22	Issued	Paid	Outstanding Balance 12/31/22	Principal Due Within One Year
GOVERNMENTAL INDEBTEDNESS									
Limited Tax Bonds, Series 2012A	10/1/2012	3.50%	2/1/2028	\$ 495,000	\$ 265,000	\$ -	\$ 35,000	\$ 230,000	\$ 35,000
MN Clean Water Partnership Project - SRF0213	6/30/2011	2.00%	12/15/2024	200,000	42,467	-	13,875	28,592	14,155
MN Clean Water Partnership Project - SRF0294	7/29/2015	2.00%	6/15/2028	100,000	68,008	-	9,899	58,109	10,098
MN Clean Water Partnership Project - SRF0316	10/18/2018	0.00%	12/15/2030	<u>375,000</u>	<u>284,662</u>	<u>-</u>	<u>-</u>	<u>284,662</u>	<u>37,500</u>
TOTAL INDEBTEDNESS				<u>\$ 1,170,000</u>	<u>\$ 660,137</u>	<u>\$ -</u>	<u>\$ 58,774</u>	<u>\$ 601,363</u>	<u>\$ 96,753</u>

**OTHER REQUIRED
REPORTS AND SCHEDULES**

**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
Middle Fork Crow River Watershed District
Spicer, MN

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Middle Fork Crow River Watershed District (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Middle Fork Crow River Watershed District's basic financial statements, and have issued our report thereon dated September 9, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Middle Fork Crow River Watershed District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying *Schedule of Findings and Responses* to be material weaknesses: 2022-001, 2022-003, and 2022-004.

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. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a significant deficiency: 2022-002.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Middle Fork Crow River Watershed District failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, contracting – bid laws, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* promulgated by the State Auditor pursuant to Minnesota 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.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Middle Fork Crow River Watershed District's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. 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 results 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.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

September 9, 2023

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2022-003 Material Audit Adjustments

Condition: Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

Criteria: The District is required to report financial information in accordance with Accounting Principles Generally Accepted in the United States of America.

Cause: The District failed to record certain year-end adjustments for the purpose of properly presenting accrual balances required under generally accepted accounting principles.

Effect: The misstatement in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

Recommendation: We recommend management perform a thorough review of the trial balance prior to the audit, ensure all transactions have been properly recorded, and ensure all funds are in balance.

*Views of Responsible
Officials And Planned
Corrective Actions:*

Management agrees with the recommendation. See corresponding Corrective Action Plan.

Finding 2022-004 Policies for Accounting Procedures and Documentation

Condition: During the current year's audit, the District struggled to locate source documentation for various transactions.

Criteria: Written policies and procedures should be in place to ensure proper record keeping and support for the accounting process, and to help facilitate a smoother transition of duties in the event of employee turnover.

Cause: The District does not have formal policies in place that are sufficient to govern its current accounting practices and documentation procedures. Because of this, the District lacks historical record keeping, especially in the event of staff turnover.

Effect: This lack of formal procedures could result in a material misstatement of the financial statements.

Recommendation: We recommend the District adopt and implement a formal policy documenting its accounting policies and procedures, including related record keeping.

*Views of Responsible
Officials And Planned
Corrective Actions:*

Management agrees with the recommendation. See corresponding Corrective Action Plan.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS

Finding 2022-001 Limited Segregation of Duties

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Management recognizes that with limited staff in the organization this situation cannot be fully remedied. However, with the hiring of a new Office & Finance Manager, the District is updating its financial policies and procedures in order to segregate duties as much as possible in order to provide a workable and reasonable checks and balance process moving forward.
3. Official Responsible
Dan Coughlin, Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The Board of Managers will be monitoring this Corrective Action Plan.

Finding 2022-002 Financial Statement Preparation

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Management acknowledges that our small staff in combination with a lack of specialized expertise in this particular niche limits our ability to undertake a full-fledged financial statement preparation process for the annual audit. As such, we anticipate the continued need to rely upon our auditors for assistance. Even given this admitted limitation, District staff continues to develop and refine internal processes and tools to independently ensure the accuracy of the District's financial statements and disclosures as much as we are able.
3. Official Responsible
Dan Coughlin, Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The Board of Managers will be monitoring this Corrective Action Plan.

**MIDDLE FORK CROW RIVER WATERSHED DISTRICT
CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2022-003 Material Audit Adjustments

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The District will thoroughly review the trial balance prior to audit fieldwork and make any adjusting entries before submitting the trial balance to the auditors.
3. Official Responsible
Dan Coughlin, Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The Board of Managers will be monitoring this Corrective Action Plan.

Finding 2022-004 Policies for Accounting Procedures and Documentation

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The District will adopt and implement a formal policy documenting its accounting policies and procedures, including related record keeping.
3. Official Responsible
Dan Coughlin, Administrator, is the official responsible for ensuring corrective action.
4. Planned Completion Date
December 31, 2023.
5. Plan to Monitor Completion
The Board of Managers will be monitoring this Corrective Action Plan.