



## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District (the District) for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 3, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Determining sensitivity is subjective, however, we believe the District does not have any significant sensitive estimates affecting the financial statements.

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

#### *Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements that have an effect on our opinion on the financial statements. Material misstatements detected as a result of audit procedures are summarized in the Schedule of Findings and Responses as item 2020-1.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 22, 2021.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedule which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

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

#### Other Reports

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

#### Restriction on Use

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

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

June 22, 2021

**LOWER MINNESOTA RIVER  
WATERSHED DISTRICT**

**ANNUAL FINANCIAL REPORT**

December 31, 2020

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**LOWER RIVER WATERSHED DISTRICT**  
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## **INTRODUCTORY SECTION**



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**LOWER MINNESOTA RIVER WATERSHED DISTRICT**

ORGANIZATION

December 31, 2020

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	<u>Term Expires</u>
<b>Board of Managers:</b>	
Jesse Hartman, President	March 2023
Patricia Mraz, Vice-President	March 2024
David Raby, Treasurer	March 2024
Laren Salvato, Secretary	March 2023
Manager - Vacant	
Attorney - John C. Kolb	
Administrator - Linda Loomis	

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Lower Minnesota River Watershed District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Lower Minnesota River Watershed District's 2019 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated May 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

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

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

### *Other Information*

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

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

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

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

June 22, 2021



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## **BASIC FINANCIAL STATEMENTS**

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**

## STATEMENT OF NET POSITION

Statement 1

December 31, 2020

With Comparative Totals For December 31, 2019

	Primary Government	
	Governmental Activities	
	2020	2019
Assets:		
Cash and investments	\$1,782,536	\$2,316,588
Property taxes receivable:		
Delinquent	23,012	42,371
Due from county	5,306	3,929
Accounts receivable	64,371	-
Due from other governments	2,544	1,000
Prepaid items	6,127	5,372
Capital assets - nondepreciable	256,167	256,167
Total assets	<u>2,140,063</u>	<u>2,625,427</u>
Liabilities:		
Accounts payable	88,397	64,278
Due to other governments	39,622	3,456
Unearned revenue	126,114	728,359
Total liabilities	<u>254,133</u>	<u>796,093</u>
Net position:		
Investment in capital assets	256,167	256,167
Unrestricted	1,629,763	1,573,167
Total net position	<u>\$1,885,930</u>	<u>\$1,829,334</u>

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

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**

STATEMENT OF ACTIVITIES

Statement 2

For The Year Ended December 31, 2020

With Comparative Totals For The Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges For Services	Operating Grants and Contributions	Primary Government	
				Totals	
				2020	2019
Primary government:					
Governmental activities:					
General government	\$772,930	\$ -	\$ -	(\$772,930)	(\$386,552)
Projects	621,299	64,371	556,805	(123)	(271,145)
Total governmental activities	<u>\$1,394,229</u>	<u>\$64,371</u>	<u>\$556,805</u>	<u>(773,053)</u>	<u>(657,697)</u>
General revenues:					
Property taxes				778,030	714,275
Unrestricted investment earnings				49,951	45,037
Miscellaneous				1,668	3,707
Total general revenues				<u>829,649</u>	<u>763,019</u>
Change in net position				56,596	105,322
Net position - January 1				<u>1,829,334</u>	<u>1,724,012</u>
Net position - December 31				<u>\$1,885,930</u>	<u>\$1,829,334</u>

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

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**

BALANCE SHEET

**Statement 3**

GOVERNMENTAL FUNDS

December 31, 2020

With Comparative Totals For December 31, 2019

	General Fund	Capital Project	Total Governmental Funds	
		Fund	2020	2019
		Nine Foot Channel Fund		
<b>Assets:</b>				
Cash and investments	\$1,677,160	\$105,376	\$1,782,536	\$2,316,588
Property taxes receivable:				
Delinquent	23,012	-	23,012	42,371
Due from county	5,306	-	5,306	3,929
Accounts receivable	-	64,371	64,371	-
Due from other governments	2,544	-	2,544	1,000
Prepaid items	6,127	-	6,127	5,372
<b>Total assets</b>	<b>\$1,714,149</b>	<b>\$169,747</b>	<b>\$1,883,896</b>	<b>\$2,369,260</b>
<b>Liabilities:</b>				
Accounts payable	\$81,817	\$6,580	\$88,397	\$64,278
Due to other governments	39,622	-	39,622	3,456
Unearned revenue	126,114	-	126,114	728,359
<b>Total liabilities</b>	<b>247,553</b>	<b>6,580</b>	<b>254,133</b>	<b>796,093</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	23,012	64,371	87,383	42,371
<b>Fund balance:</b>				
Nonspendable	6,127	-	6,127	5,372
Assigned	391,700	98,796	490,496	441,064
Unassigned	1,045,757	-	1,045,757	1,084,360
<b>Total fund balance</b>	<b>1,443,584</b>	<b>98,796</b>	<b>1,542,380</b>	<b>1,530,796</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$1,714,149</b>	<b>\$169,747</b>	<b>\$1,883,896</b>	<b>\$2,369,260</b>
Fund balance reported above			\$1,542,380	\$1,530,796
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			256,167	256,167
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.			87,383	42,371
<b>Net position of governmental activities (Statement 1)</b>			<b>\$1,885,930</b>	<b>\$1,829,334</b>

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

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**

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

**Statement 4**

For The Year Ended December 31, 2020

With Comparative Totals For The Year Ended December 31, 2019

	Capital Project Fund		Total Governmental Funds	
	General Fund	Nine Foot Channel Fund	2020	2019
<b>Revenues:</b>				
Property taxes	\$797,389	\$ -	\$797,389	\$711,923
Intergovernmental	44,778	512,027	556,805	154,988
Investment income	43,770	6,181	49,951	45,037
Dredge site income	-	-	-	19,660
Miscellaneous	1,668	-	1,668	3,707
Total revenues	<u>887,605</u>	<u>518,208</u>	<u>1,405,813</u>	<u>935,315</u>
<b>Expenditures:</b>				
Engineering services	78,969	48,040	127,009	142,975
Professional services	143,996	438,196	582,192	175,419
Insurance	7,086	1,567	8,653	9,980
Mileage and travel expenses	1,798	318	2,116	4,588
Office expense	25,405	4,144	29,549	29,462
Managers meeting expenses	4,317	761	5,078	4,128
509 planning/projects	476,700	-	476,700	431,332
Cooperative projects	144,599	-	144,599	14,461
Lobbying	15,583	2,750	18,333	20,000
Total expenditures	<u>898,453</u>	<u>495,776</u>	<u>1,394,229</u>	<u>832,345</u>
Revenues over (under) expenditures	<u>(10,848)</u>	<u>22,432</u>	<u>11,584</u>	<u>102,970</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	80,000
Transfers out	-	-	-	(80,000)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(10,848)	22,432	11,584	102,970
Fund balance - January 1	<u>1,454,432</u>	<u>76,364</u>	<u>1,530,796</u>	<u>1,427,826</u>
Fund balance - December 31	<u>\$1,443,584</u>	<u>\$98,796</u>	<u>\$1,542,380</u>	<u>\$1,530,796</u>

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

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

**Statement 5**

For The Year Ended December 31, 2020

With Comparative Totals For The Year Ended December 31, 2019

	<u>2020</u>	<u>2019</u>
Amounts reported for governmental activities in the Statement of Activities (Statement 2) are different because:		
Net changes in fund balance - total governmental funds (Statement 4)	\$11,584	\$102,970
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in unavailable revenue - property taxes	(19,359)	2,352
Change in unavailable revenue - dredge material	<u>64,371</u>	<u>-</u>
Change in net position of governmental activities (Statement 2)	<u><u>\$56,596</u></u>	<u><u>\$105,322</u></u>

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

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as *general revenues*.

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are



**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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

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

The District reports the following major governmental funds:

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

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

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

**D. BUDGETARY DATA**

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

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

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

**E. CASH AND INVESTMENTS**

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

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

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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**F. PREPAID ITEMS**

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

**G. INVENTORIES**

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

**H. PROPERTY TAX REVENUE RECOGNITION**

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

**I. CAPITAL ASSETS**

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

**J. DEFERRED INFLOWS OF RESOURCES**

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

**K. FUND BALANCE CLASSIFICATIONS**

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

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

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

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

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

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

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

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

**L. INTERFUND TRANSACTIONS**

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

**M. USE OF ESTIMATES**

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

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**N. COMPARATIVE TOTALS**

The basic financial statements, required supplementary information, individual fund financial statements and supplementary financial information include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District’s financial statements for the year ended December 31, 2019, from which the summarized information was derived.

**Note 2 DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

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

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

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

The District does not have deposits at December 31, 2020.

**B. INVESTMENTS**

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

As of December 31, 2020, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Pooled with Carver County	N/A	\$1,782,536

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

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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**C. INVESTMENT RISKS**

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

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

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

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

Custodial Credit Risk - investments: For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2020, all of the District's investments were pooled with Carver County.

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**Note 3 RECEIVABLES**

\$23,000 of delinquent property taxes are not expected to be collected within one year of December 31, 2020.

**Note 4 UNAVAILABLE REVENUE**

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At December 31, 2020, unavailable revenue reported in the governmental funds was as follows:

	Delinquent Property Taxes	Dredge Material	Total
General Fund	\$23,012	\$ -	\$23,012
Nine Foot Channel	-	64,371	64,371
Total	<u>\$23,012</u>	<u>\$64,371</u>	<u>\$87,383</u>

**Note 5 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance 12/31/2019	Increases	Decreases	Balance 12/31/2020
Capital assets, not being depreciated:				
Land	<u>\$256,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$256,167</u>

**Note 6 OPERATING LEASES**

The District has two leases, an equipment lease and a lease for building space. Both leases are month-to-month. Lease expense for 2020 was \$9,817.

**Note 7 COMMITMENTS AND CONTINGENCIES**

**A. COMMITTED CONTRACTS**

At December 31, 2020, the District had commitments of \$68,960 for uncompleted contracts.

**B. LITIGATION**

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

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**Note 8 FUND BALANCE - CLASSIFICATIONS**

At December 31, 2020, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Nine Foot Channel Fund</u>	<u>Total</u>
Nonspendable:			
Prepaid items	\$6,127	\$ -	\$6,127
Assigned:			
Riley Creek Cooperative Project with RPBCWD	75,000	-	75,000
Eden Prairie Bank Stabilization	8,000	-	8,000
U.S. Geological Survey	19,700	-	19,700
Ravine Stabilization at Seminary Fen in Chaska	20,000	-	20,000
Sustainable Lakes Management Plan (Trout Lakes)	25,000	-	25,000
Geomorphic Assessments (Trout Streams)	31,000	-	31,000
Groundwater Screening Tool Modal	30,000	-	30,000
TH 101 Ravine / Shakopee	35,000	-	35,000
Schroeder's Acres Park/Savage Fen Stormwater Mgmt.	35,000	-	35,000
Dakota County Fen Management Study	25,000	-	25,000
Local Water and Management Plan Reviews	3,000	-	3,000
Project Reviews	15,000	-	15,000
Monitoring	40,000	-	40,000
Plan Clarification and Proposed Rules	30,000	-	30,000
Nine Foot Channel Maintenance	-	98,796	98,796
Unassigned	<u>1,045,757</u>	<u>-</u>	<u>1,045,757</u>
Total	<u>\$1,443,584</u>	<u>\$98,796</u>	<u>\$1,542,380</u>

**Note 9 RISK MANAGEMENT**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**



**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2020  
With Comparative Actual Amounts For The Year Ended December 31, 2019

**Statement 6**

	2020		Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Budgeted Amounts				
	Original	Final			
<b>Revenues:</b>					
Property taxes	\$614,900	\$614,900	\$797,389	\$182,489	\$635,420
Intergovernmental	5,500	5,500	44,778	39,278	41,203
Investment income	-	-	43,770	43,770	38,242
Miscellaneous	-	-	1,668	1,668	3,707
Total revenues	<u>620,400</u>	<u>620,400</u>	<u>887,605</u>	<u>267,205</u>	<u>718,572</u>
<b>Expenditures:</b>					
Engineering services	17,000	17,000	78,969	(61,969)	26,375
Professional services	128,818	128,818	143,996	(15,178)	145,082
Insurance	8,500	8,500	7,086	1,414	7,984
Mileage and travel expenses	5,950	5,950	1,798	4,152	3,738
Office expense	23,119	23,119	25,405	(2,286)	23,376
Managers meeting expenses	12,113	12,113	4,317	7,796	3,439
509 planning/projects	605,055	605,055	476,700	128,355	431,332
Cooperative projects	184,466	184,466	144,599	39,867	14,461
Lobbying	17,000	17,000	15,583	1,417	16,167
Total expenditures	<u>1,002,021</u>	<u>1,002,021</u>	<u>898,453</u>	<u>103,568</u>	<u>671,954</u>
Revenue over (under) expenditures	(\$381,621)	(\$381,621)	(10,848)	\$370,773	46,618
<b>Other financing sources (uses):</b>					
Transfers out	-	-	-	-	(80,000)
Net change in fund balance	<u>(\$381,621)</u>	<u>(\$381,621)</u>	(10,848)	<u>\$370,773</u>	(33,382)
Fund balance - January 1			<u>1,454,432</u>		<u>1,487,814</u>
Fund balance - December 31			<u>\$1,443,584</u>		<u>\$1,454,432</u>

**Note to RSI:**

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

## **INDIVIDUAL FUND FINANCIAL STATEMENTS**

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**

## COMPARATIVE BALANCE SHEET

Statement 7

## GENERAL FUND

December 31, 2020

With Comparative Totals For December 31, 2019

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and investments	\$1,677,160	\$1,964,755
Property taxes receivable:		
Delinquent	23,012	42,371
Due from county	5,306	3,929
Due from other governments	2,544	1,000
Prepaid items	<u>6,127</u>	<u>5,372</u>
Total assets	<u><u>\$1,714,149</u></u>	<u><u>\$2,017,427</u></u>
Liabilities:		
Accounts payable	\$81,817	\$60,836
Due to other governments	39,622	3,456
Unearned revenue	<u>126,114</u>	<u>456,332</u>
Total liabilities	<u><u>247,553</u></u>	<u><u>520,624</u></u>
Deferred inflows of resources:		
Unavailable revenue	<u>23,012</u>	<u>42,371</u>
Fund balance:		
Nonspendable	6,127	5,372
Assigned	391,700	364,700
Unassigned	<u>1,045,757</u>	<u>1,084,360</u>
Total fund balance	<u><u>1,443,584</u></u>	<u><u>1,454,432</u></u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$1,714,149</u></u>	<u><u>\$2,017,427</u></u>

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
For The Year Ended December 31, 2020  
With Comparative Totals For The Year Ended December 31, 2019

**Statement 8**

	2020	2019
Revenues:		
Property taxes	\$797,389	\$635,420
Intergovernmental	44,778	41,203
Investment income	43,770	38,242
Miscellaneous	1,668	3,707
Total revenues	<u>887,605</u>	<u>718,572</u>
Expenditures:		
Engineering services	78,969	26,375
Professional services	143,996	145,082
Insurance	7,086	7,984
Mileage and travel expenses	1,798	3,738
Office expense	25,405	23,376
Managers meeting expenses	4,317	3,439
509 planning/projects	476,700	431,332
Cooperative projects	144,599	14,461
Lobbying	15,583	16,167
Total expenditures	<u>898,453</u>	<u>671,954</u>
Revenue over (under) expenditures	(10,848)	46,618
Other financing sources (uses):		
Transfers out	-	(80,000)
Net change in fund balance	(10,848)	(33,382)
Fund balance - January 1	<u>1,454,432</u>	<u>1,487,814</u>
Fund balance - December 31	<u><u>\$1,443,584</u></u>	<u><u>\$1,454,432</u></u>

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**COMPARATIVE BALANCE SHEET**  
**CAPITAL PROJECT FUND - NINE FOOT CHANNEL FUND**  
 December 31, 2020  
 With Comparative Totals For December 31, 2019

**Statement 9**

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and investments	\$105,376	\$351,833
Accounts receivable	<u>64,371</u>	<u>-</u>
Total assets	<u><u>\$169,747</u></u>	<u><u>\$351,833</u></u>
Liabilities:		
Accounts payable	\$6,580	\$3,442
Unearned revenue	<u>64,371</u>	<u>272,027</u>
Total liabilities	<u><u>70,951</u></u>	<u><u>275,469</u></u>
Fund balance:		
Assigned	<u>98,796</u>	<u>76,364</u>
Total liabilities and fund balance	<u><u>\$169,747</u></u>	<u><u>\$351,833</u></u>

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**CAPITAL PROJECT FUND - NINE FOOT CHANNEL FUND**  
**For The Year Ended December 31, 2020**  
**With Comparative Totals For The Year Ended December 31, 2019**

**Statement 10**

	2020	2019
Revenues:		
Property taxes	\$ -	\$76,503
Intergovernmental	512,027	113,785
Investment income	6,181	6,795
Dredge site income	0	19,660
Total revenues	<u>518,208</u>	<u>216,743</u>
Expenditures:		
Engineering services	48,040	116,600
Professional services	438,196	30,337
Insurance	1,567	1,996
Mileage and travel expenses	318	850
Office expense	4,144	6,086
Managers meeting expenses	761	689
Lobbying	2,750	3,833
Total expenditures	<u>495,776</u>	<u>160,391</u>
Revenue over (under) expenditures	22,432	56,352
Other financing sources:		
Transfers in	<u>-</u>	<u>80,000</u>
Net change in fund balance	22,432	136,352
Fund balance (deficit) - January 1	<u>76,364</u>	<u>(59,988)</u>
Fund balance (deficit) - December 31	<u><u>\$98,796</u></u>	<u><u>\$76,364</u></u>

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## **SUPPLEMENTARY FINANCIAL INFORMATION**



**LOWER MINNESOTA RIVER WATERSHED DISTRICT**  
**SCHEDULE OF 509 PLANNING/PROJECT EXPENDITURES**  
 December 31, 2020  
 With Comparative Totals For The Year Ended December 31, 2019

**Exhibit 1**

	2020	2019
Expenditures:		
TH 101 Ravine - Shakopee	\$35,000	\$403
Sustainable Lakes Management Plan - Trout Lakes	1,224	33,560
Monitoring	127,259	118,474
Watershed management plan	47,581	51,909
Public education	51,247	22,078
Cost share program	48,912	1,266
East Chaska creek	41,109	35,703
Municipal project reviews	124,368	64,214
Spring Creek	-	6,350
Geomorphic Assessment of Trout Streams	-	89,840
Vegetation Management Plan	-	7,535
	<u>\$476,700</u>	<u>\$431,332</u>
Total expenditures	<u>\$476,700</u>	<u>\$431,332</u>

**OTHER INFORMATION - UNAUDITED**

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**

**SCHEDULE OF CUMULATIVE EXPENDITURES**

December 31, 2020

**Table 1**

**Page 1 of 2**

	Cumulative Total Through 2019	2020 Activity	Cumulative Total Through 2020
Expenditures:			
General and administrative expenses	\$8,370,097	\$282,206	\$8,652,303
Special projects:			
Assumption Creek	8,642	-	8,642
Nichols Fen / Harnack / Kennealy Creeks	3,330	-	3,330
City of Burnsville	305	-	305
Chaska	1,231	-	1,231
Seminary Fen	446,960	-	446,960
Met Council	771	-	771
Chaska Creek	56,093	-	56,093
Chaska Lanes	5,219	-	5,219
Willow Creek	37,716	-	37,716
Groundwater monitoring	433,392	127,357	560,749
LMR model	51,105	-	51,105
Savage Fen	21,449	-	21,449
Fort Snelling State Park roadway relocation	60,023	-	60,023
Office of water resource and research	36,200	-	36,200
Mohr Park - Bloomington well project	11,956	-	11,956
Aerial photos	6,100	-	6,100
East Chaska Creek diversion	80,829	42,247	123,076
Special study	4,968	-	4,968
Legislative committee hearing	7,056	-	7,056
Flood plain - regulations and litigation	15,064	-	15,064
Cooperative projects with municipalities	1,339,258	-	1,339,258
Contingency reserve	10,884	-	10,884
State flood plain analysis	5,150	-	5,150
Savage - Credit River	24,465	-	24,465
Department of Natural Resources - Rice Lake	140	-	140
Off Channel fleeting	9,849	-	9,849
Deans Lake	25,797	-	25,797
Environmental assessment for McGowan Barge	1,357	-	1,357
Scott County - Historical Park	5,000	-	5,000
Scott County - Murphy's Landing	60,430	-	60,430
Prior Lake - Spring Lake	21,167	-	21,167
Casperson landing cooperative project	44,874	-	44,874
River bank stabilization	76,058	-	76,058
General benefit projects	773	-	773
Metro Council gauging station	46,802	-	46,802
55/62 intersection	6,538	-	6,538
Eagle Creek	110,202	-	110,202
Data collection	33,700	-	33,700
Resource plan implementation	239,753	36,647	276,400
Eden Prairie SWMP	10,593	32,675	43,268
Nichols Fen	4,949	-	4,949
Courthouse - firearms - clayhole	32,649	-	32,649
Cooperative project contingency reserve	33,210	-	33,210
Trout stream	904	-	904

**LOWER MINNESOTA RIVER WATERSHED DISTRICT**

**SCHEDULE OF CUMULATIVE EXPENDITURES**

December 31, 2020

**Table 1**

**Page 2 of 2**

	Cumulative Total Through 2019	2020 Activity	Cumulative Total Through 2020
Expenditures (con't):			
BWSR Challenge Grant engineer	\$6,106	\$ -	\$6,106
Rainwater garden	35,000	-	35,000
Gully erosion inventory	7,000	-	7,000
Dakota County Fen	2,778	-	2,778
Miscellaneous	147,676	121,528	269,204
509 Plan general	27,641	-	27,641
Local management plans	34,017	16,290	50,307
Management plan	585,967	34,733	620,700
Chaska Lakes	12,171	-	12,171
Watershed assistance	7,881	-	7,881
Natural resources map	276	-	276
Public education	155,281	52,897	208,178
Strategic Resource evaluation	79,771	-	79,771
Cost share program	63,328	48,912	112,240
USGS	123,587	12,593	136,180
Long Meadow Outfall	100,000	-	100,000
Gully stabilization	875	132,970	133,845
Dred Scott Water Reuse Project	21,053	-	21,053
Nine Foot Channel	345,886	453,174	799,060
Riley Creek	166,701	-	166,701
	<u>\$13,726,003</u>	<u>\$1,394,229</u>	<u>\$15,120,232</u>

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## **OTHER REQUIRED REPORTS**

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## REPORT ON INTERNAL CONTROL

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

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Lower Minnesota River Watershed District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lower Minnesota River Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lower Minnesota River Watershed District's internal control.

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control described in the schedule of findings and responses as item 2020-1 to be a material weakness.

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

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

June 22, 2021



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

**2020-1 Audit Adjustments/Year-end Closing Process**

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

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

- Property tax revenue was overstated by \$111,074
- Intergovernmental revenue was understated by \$312,305

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

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

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

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

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## MINNESOTA LEGAL COMPLIANCE REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of and for the year ended December 31, 2020, and the related notes to the financial statements which collectively comprise Lower Minnesota River Watershed District's basic financial statements, and have issued our report thereon dated June 22, 2021.

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

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

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

June 22, 2021

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June 23, 2021

Linda Loomis  
District Administrator  
Lower Minnesota River Watershed District  
6677 Olson Memorial Hwy  
Golden Valley, MN 55427

Dear Linda:

Enclosed are the Annual Financial Report and the Communication with Those Charged with Governance Letter for the Lower Minnesota River Watershed District for the year ended December 31, 2020. Electronic versions of each report have also been sent to you via email and are available on the portal in the reports section.

Additional copies have been sent to the State Auditor's Office (via e-mail), and to the Board of Water and Soil Resources. We will mail a hard copy of the reports to the Department of Natural Resources to fulfill the reporting requirements of the District.

Electronic versions of each workpaper we prepared or assisted in preparing, as listed below, have been emailed to you on June 22, 2021:

- Government-wide workpaper and GASB 34 entries
- Grouping reports, closing journal entries and reclassifying journal entries
- Revenue summary
- Property tax summary and related workpapers
- Fund balance classifications

Thank you for the opportunity to be of service.

Sincerely,

REDPATH AND COMPANY, LTD.

A handwritten signature in black ink that reads "Andy Hering".

Andy Hering, CPA  
APH/bab  
Enclosure



June 23, 2021

Director of the Division of Waters  
Department of Natural Resources  
500 Lafayette Road  
St. Paul, MN 55155

Enclosed is a copy of the 2020 Annual Financial Report for the Lower Minnesota River Watershed District.

If you have any questions, please call the undersigned.

Sincerely,

REDPATH AND COMPANY, LTD.

A handwritten signature in black ink that reads "Andy Hering". The signature is written in a cursive style.

Andy Hering, CPA

APH/bab

Enclosure

cc: Lower Minnesota River Watershed District