

**LOWER MISSISSIPPI RIVER  
WATERSHED MANAGEMENT ORGANIZATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

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**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION  
ORGANIZATION  
DECEMBER 31, 2023**

**Board of Managers:**

	<u>City</u>
Sharon Lencowski (Chair) Dawn Gaetke (Alternate)	Inver Grove Heights Inver Grove Heights
Tom Sutton Mary Kleinberg (Alternate)	Lilydale Lilydale
Steve Gebauer (Secretary/Treasurer) Leslie Pilgrim (Alternate)	Mendota Heights Mendota Heights
Karen Reid (Vice Chair) Brian Jastram (Alternate)	St. Paul St. Paul
Michael Randle Daniel Anderson (Alternate)	South St. Paul South St. Paul
Dan Halvorsen Shannon Nelson (Alternate)	Sunfish Lake Sunfish Lake
Analiese Miller Julie Eastman (Alternate)	West St. Paul West St. Paul

**Advisors:**

Joe Barten – Dakota County Soil and Water Conservation District – Administrator

Greg Williams – Barr Engineering – Engineer

Roger Knutson – Campbell, Knutson, P.A. - Attorney

## INDEPENDENT AUDITOR'S REPORT

To the Board of Managers  
Lower Mississippi River Watershed Management Organization  
Mendota Heights, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the governmental activities and the general fund of Lower Mississippi River Watershed Management Organization, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Lower Mississippi River Watershed Management Organization's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Lower Mississippi River Watershed Management Organization, as of December 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 Lower Mississippi River Watershed Management Organization 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 opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Mississippi River Watershed Management Organization'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lower Mississippi River Watershed Management Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Mississippi River Watershed Management Organization'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***

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 on page 14 and the note to the required supplementary information on page 15 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.

***Other Information***

Management is responsible for the other information. The other information comprises the WMO’s organizational information under the introductory section but does not include the financial statements and our auditor’s report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2024 on our consideration of Lower Mississippi River Watershed Management Organization’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 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 the Lower Mississippi River Watershed Management Organization’s internal control over financial reporting and compliance.

*Peterson Company Ltd*

Peterson Company Ltd  
Waconia, Minnesota

April 22, 2024

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**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION  
STATEMENT OF NET POSITION  
DECEMBER 31, 2023**

	Governmental Activities
<b>Assets:</b>	
Cash	\$ 195,415
Prepaid expense	901
Total Assets	196,316
<b>Liabilities:</b>	
Accounts payable	27,172
Unearned revenue	104,069
Total Liabilities	131,241
<b>Net Position:</b>	
Unrestricted	65,075
Total Net Position	\$ 65,075

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See accompanying notes to the financial statements and Independent Auditor's Report.

**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Net Position
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ 19,512	\$ -	\$ 26,777	\$ -	\$ 7,265
Programs	144,900	-	-	-	(144,900)
Total Governmental Activities	\$ 164,412	\$ -	\$ 26,777	\$ -	(137,635)
General Revenues:					
General property taxes					127,309
Unrestricted interest earnings					1,798
Miscellaneous					598
Total General Revenues					129,705
Change in Net Position					(7,930)
Net Position - January 1					73,005
Net Position - December 31					\$ 65,075

See accompanying notes to the financial statements and Independent Auditor's Report.



**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2023**

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 195,415
Prepaid expense	901
Total Assets	<u>\$ 196,316</u>
 Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 27,172
Unearned revenue	104,069
Total Liabilities	<u>131,241</u>
 Fund Balance	
Non-spendable - prepaid expense	901
Unassigned	64,174
Total Fund Balance	<u>65,075</u>
Total Liabilities and Fund Balance	<u>\$ 196,316</u>
 Total Fund Balance	<u>\$ 65,075</u>
 Net Position of Governmental Activities	<u>\$ 65,075</u>

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See accompanying notes to the financial statements and Independent Auditor's Report.

**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	General Fund
Revenues	
Member contributions	\$ 127,309
Intergovernmental	26,777
Interest income	1,798
Other	598
Total Revenues	156,482
Expenditures	
Current:	
General government:	
Administrative	13,451
Insurance	2,477
Professional fees	3,584
Program expenditures:	
Engineering	14,695
State grants	111,364
Other	18,841
Total Expenditures	164,412
Net Change in Fund Balance	(7,930)
Fund Balance - January 1	73,005
Fund Balance - December 31	\$ 65,075
Net Change in Fund Balance - Governmental Fund	\$ (7,930)
Change in Net Position of Governmental Activities	\$ (7,930)

See accompanying notes to the financial statements and Independent Auditor's Report.

**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Entity

The Lower Mississippi River Watershed Management Organization (the "WMO") was established by a Joint Powers Agreement on October 25, 1985, between the cities of Inver Grove Heights, Lilydale, Mendota Heights, St. Paul, South St. Paul, Sunfish Lake, and West St. Paul, Minnesota. The WMO was formed to meet the requirements of the Metropolitan Surface Water Management Act under the provisions of Minnesota Statutes 103B. The Act requires, among other things, the preparation of Watershed Management Plans in the Minneapolis – St. Paul Metropolitan area.

The purpose of the Watershed Management Plan is to:

- Protect, preserve, and use natural surface and groundwater storage and retention systems.
- Minimize public capital expenditures needed to correct flooding and water quality problems.
- Identify and plan for the means to effectively protect and improve surface and groundwater quality.
- Establish more uniform local policies and official controls for surface and groundwater management.
- Prevent erosion of soil into surface water systems.
- Promote groundwater recharge.
- Protect and enhance fish and wildlife habitats and water recreational facilities.
- Secure the other benefits associated with the proper management of surface and groundwater.

The WMO comprises 35,548 acres and includes all or part of the cities of Inver Grove Heights, Lilydale, Mendota Heights, St. Paul, South St. Paul, Sunfish Lake, and West St. Paul, Minnesota. The WMO is governed by a fourteen-member Board of Managers (7 managers and 7 alternate managers) appointed by each of the member municipalities.

The financial statements present the WMO and its component units. The WMO includes all funds, account groups, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the WMO are financially accountable and are included within the basic financial statements of the WMO because of the significance of their operational or financial relationships with the WMO.

The WMO is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or if there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the WMO.

Blended Component Units - Reported as if they were part of the WMO.

Joint Ventures and Jointly Governed Organizations - The relationship of the WMO with the entity is disclosed.

Related Organization - The relationship of the WMO with the entity is disclosed.

As a result of applying the component unit definition criteria above, we have not identified any organizations that are considered to be component units of the WMO.

Government-Wide Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the WMO. Governmental activities are normally supported by member contributions and intergovernmental revenues.

**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Government-Wide Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

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

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. 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the WMO considers revenues to be available if they are collected within 60 days of the end of the current period. Reimbursement grants are considered available if they are 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.

Intergovernmental revenues and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the WMO.

The WMO reports one major governmental fund. The General Fund (Administrative Fund) is the general operating fund of the WMO. It is used to account for financial resources to be used for general administrative expenditures and programs of the WMO.

Assets, Liabilities, and Net Position/Fund Balance

Cash

Cash consists of two checking and one savings account.

Prepaid Expense

Prepaid expense is for an item that will provide future benefit over the next twelve months.

**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Assets, Liabilities, and Net Position/Fund Balance (Continued)

Unearned Revenue

Unearned revenue is recorded for amounts of state grants received prior to satisfying all eligibility requirements imposed by the providers.

Fund Balance Classifications

In the fund financial statements, governmental funds report fund classifications comprise a hierarchy based primarily on the extent to which the WMO is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. These classifications are as follows:

Non-spendable – These are amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.

Restricted – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.

Committed – These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the government's highest level of decision-making authority, which is the Board of Managers, and that remain binding unless removed by subsequent formal action of the Board of Managers.

Assigned – These are amounts that are constrained by the WMO's intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the Administrative Fund, that are not classified as non-spendable, restricted, or committed. Assignments are made by the WMO's Administrator based on the Board of Manager's direction.

Unassigned – These are residual amounts in the Administrative Fund not reported in any other classification. The Administrative Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of non-spendable, restricted, and committed fund balances exceed the total net resources of that fund.

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

Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to construct or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates.

Minimum Unassigned Fund Balance Policy

The WMO has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue sources of the General Fund are member contributions and intergovernmental revenues. It is the WMO's goal to begin each fiscal year with sufficient working capital to fund operations throughout the year.

The policy establishes a year-end targeted unassigned fund balance amount of 40% of the budgeted operating expenditures for cash-flow timing needs. At December 31, 2023, the unassigned fund balance of the General Fund was 104% of the budgeted expenditures.

Change in Accounting Principle

Effective January 1, 2023, the WMO adopted GASB 96, *Subscription-Based Technology Arrangement*. The new standard establishes a right of use subscription asset and a corresponding liability that amortizes over the subscription term for all arrangement with terms longer than 12 months. The WMO only has short-term arrangements; therefore, this new standard will not affect them.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Deposits

Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the WMO's deposits may not be returned to it. Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. As of December 31, 2023, the WMO's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the WMO's name.

The WMO did not have formal policies in place as of December 31, 2023, to address custodial credit risk for deposits. The WMO also did not have policies in place to address credit risk, concentration of credit risk, interest rate risk and custodial credit risk for investments.

At December 31, 2023, cash and investments were comprised of deposits at a commercial bank.

**NOTE 3 - UNEARNED REVENUE**

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) for clear water funds. Revenue will be recognized when the related program expenditures are recorded. Unearned Revenue for the year ended December 31, 2023, consisted of Watershed Funds of \$104,069.

**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 4 - MEMBER CONTRIBUTIONS**

In accordance with the provisions of the Joint Powers Agreement (Section 9, Subd. 2), members agreed to contribute each year to the General Fund. Each member's percentage share is based on an average of the following two percentages:

- (1) The percentage of the total assessed valuation of all real property within WMO which lies within the member's boundaries; and
- (2) The percentage of the total area in WMO which lies within the member's boundaries.

For 2023, the WMO assessed the members \$127,309 in member contributions.

**NOTE 5 - MEMBER REIMBURSEMENTS**

Members reimburse the WMO for amounts expended for projects that indirectly benefit them. The WMO depends on member reimbursements in order to carry out its project activities.

**NOTE 6 - RISK MANAGEMENT**

The WMO purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state, which is a public entity risk pool currently operating as a common risk management and insurance program. The WMO pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining, through commercial companies, for excess claims. The WMO is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles are considered immaterial to the financial statements.

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

At December 31, 2023, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

The WMO is not aware of any existing or pending lawsuits, claims or other actions in which the WMO is a defendant.

**NOTE 8 - SUBSEQUENT EVENTS**

The WMO has evaluated events and transactions for potential recognition or disclosure through April 22, 2024, the date the financial statements were available to be issued.

**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Original/Final Budget	Actual Amounts	Over (Under)/Final Budget
Revenues			
Member contributions	\$ 127,309	\$ 127,309	\$ -
Intergovernmental	154,261	26,777	(127,484)
Interest income	600	1,798	1,198
Other	250	598	
Total Revenues	282,420	156,482	(126,286)
Expenditures			
Current:			
General government:			
Administrative	34,400	13,451	(20,949)
Insurance	2,500	2,477	(23)
Professional fees	5,500	3,584	(1,916)
Programs:			
Engineering	43,500	14,695	
State grants	176,900	111,364	
Other	37,900	18,841	(19,059)
Total Expenditures	300,700	164,412	(41,947)
Net Change in Fund Balance	\$ (18,280)	\$ (7,930)	\$ (84,339)
Fund Balance - January 1		73,005	
Fund Balance - December 31		\$ 65,075	

See accompanying note to required supplementary information and Independent Auditor's Report



**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2023**

**NOTE 1 – BUDGETARY INFORMATION**

Budgets are adopted annually by the Board of Managers. During the budget year, supplemental appropriations and deletions are, or may be, authorized by the Board. The amounts shown in the financial statements as “Budget” represent the original budgeted amounts plus all revisions made during the year and/or for the year. 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 WMO.

The WMO monitors budget performance on a fund basis. All amounts over budget have been approved by the Board through disbursement approval procedures.

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**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**

To the Board of Managers  
Lower Mississippi River Watershed Management Organization  
Mendota Heights, Minnesota

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 and the general fund of Lower Mississippi River Watershed Management Organization as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Lower Mississippi River Watershed Management Organization's basic financial statements, and have issued our report thereon dated April 22, 2024.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lower Mississippi River Watershed Management Organization's internal control over financial reporting 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 Lower Mississippi River Watershed Management Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lower Mississippi River Watershed Management Organization's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 and 2023-002, that we consider to be significant deficiencies.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lower Mississippi River Watershed Management Organization'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*.

## Lower Mississippi River Watershed Management Organization's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the WMO's response to the internal control finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Lower Mississippi River Watershed Management Organization'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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Peterson Company Ltd*

Peterson Company Ltd  
Waconia, Minnesota

April 22, 2024

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**INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

To the Board of Managers  
Lower Mississippi River Watershed Management Organization  
Mendota Heights, Minnesota

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 and the general fund of Lower Mississippi River Watershed Management Organization, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Lower Mississippi River Watershed Management Organization's basic financial statements, and have issued our report thereon dated April 22, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the Lower Mississippi River Watershed Management Organization failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes § 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 Lower Mississippi River Watershed Management Organization's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

*Peterson Company Ltd*

Peterson Company Ltd  
Waconia, Minnesota

April 22, 2024

**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2023**

**2023-001: Segregation of Duties**

**Criteria:** Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

**Condition and Context:** Substantially all accounting procedures are performed by one person.

**Cause:** This condition is common to organizations of this size due to the limited number of staff.

**Effect:** The lack of an ideal segregation of duties subjects the WMO to a higher risk that errors or fraud could occur and not be detected in a timely manner.

**Prior Year Finding:** Yes, 2022-001.

**Recommendation:** Any modification of internal controls in this area must be viewed from a cost/benefit perspective.

**Management Response:** The WMO has adequate policies and procedures in place to compensate for the lack of segregation of duties. This is done by having all disbursements approved by the Board of Managers and the individual performing the accounting procedures having no authority to execute a transaction.

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**LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
DECEMBER 31, 2023**

**2023-002: Financial Statement Presentation**

**Criteria:** The WMO's management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with generally accepted accounting principles.

**Condition and Context:** As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements. Management has accepted responsibility for the financial statements and reviewed them.

**Cause:** The WMO has a limited number of personnel with financial reporting experience.

**Effect:** The design of the controls over the financial reporting process would affect the ability of the WMO to report its financial data consistently with the assertions of the management in the financial statements.

**Prior Year Finding:** Yes, 2022-002.

**Recommendation:** We recommend that the WMO be aware of the requirements for fair presentation of the financial statements in accordance with the generally accepted accounting principles. Should the WMO elect, based upon an analysis of costs and benefits, to establish the full oversight of the financial statement preparation of an appropriate level, we suggest management establish effective review policies and procedures including but not limited to the following: reconciling general ledger amounts to the draft financial statements; review of all supporting documentation and explanations for journal entries proposed by us; complete the disclosure checklist; review and approval of schedules and calculations supporting the amounts included in the notes to the financial statements; apply analytic procedures to the draft financial statements; and perform other procedures considered necessary by management.

**Management Response:** The WMO understands that this is required communications for the preparation of the financial statements.

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