

OKABENA-OCHEDEA WATERSHED DISTRICT
WORTHINGTON, MINNESOTA

REPORT ON AUDIT OF
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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OKABENA-OCHEDEA WATERSHED DISTRICT

WORTHINGTON, MINNESOTA

ORGANIZATION

Board of Managers

Rolf Mahlberg

Casey Ingentron

Jeff Rogers

Jay Milbrandt

Steve Bousema

Dan Livdahl

Position

President

Vice President

Secretary

Treasurer

Manager

Administrator

Advisory Committee

John Ahlers

Doug Anton

Caleb Fellows

Les Johnson

Justin Langseth

Eric Roos

Mat Widboom

Logan Ahlers

Bob DeMuth, Jr.

Galen Gordon

Ben Krohn

Paul Langseth

John Shea

DENNIS L. RICK, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

Minnesota Society of Certified Public Accountants

DENNIS L. RICK, CPA

Minnesota Association of Public Accountants

INDEPENDENT AUDITOR'S REPORT

To The Board of Managers
Okabena-Ocheda Watershed District
Worthington, Minnesota

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities of Okabena-Ocheda Watershed District, Worthington, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Governmental Funds:	
General Fund	Unmodified

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities, of the Okabena-Ocheda Watershed District, as of December 31, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on General Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the Okabena-Ocheda Watershed District, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Okabena-Ocheda Watershed District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the Governmental Activities

Management has not adopted the requirements for GASB 68 in the government-wide financial statements and accordingly has not considered the additional reporting requirements under GASB 68. In addition, property and equipment should be recorded at cost, if purchased, or at fair value, if donated or contributed, to conform with accounting principles generally accepted in the United States of America, and those amounts should be depreciated over the estimated useful lives of the assets. The District has not historically accounted for property and equipment in conformity with accounting principles generally accepted in the United States of America. Accounting principles generally accepted in the United States of America required information would change the assets, liabilities, net position and expenditures in the governmental activities. The amount by which this departure would affect the assets, liabilities, net position and expenditures has not been determined.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Okabena-Ocheda Watershed District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Donald Z. Rick, CPA

Worthington, Minnesota
February 15, 2023

OKABENA-OCHEDA WATERSHED DISTRICT
MANGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

This section of the annual financial report of the Okabena-Ocheda Watershed District presents the Management Discussion and Analysis. The discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. This information is designed to focus on the current year's activities, resulting changes, and currently known facts. It should be read in conjunction with the District's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2022 year include the following:

- Cash and investments increased by \$85,565 from \$596,085 to \$681,650.
- The District assigned \$56,000 in fund balances for lake enhancement projects.

USING THIS ANNUAL REPORT

This annual report consists of the: Management's Discussion and Analysis, Independent Auditor's Report, the Basic Financial Statements, Notes to the Financial Statements and Report on Legal Compliance. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 8 and 9 provide information about the activities of the Okabena-Ocheda Watershed District as a whole and presents a longer-term view of the Okabena-Ocheda Watershed District's finances. Fund financial statements start on page 8. The statements for governmental activities tell how the services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Okabena-Ocheda Watershed District's operations in more detail than the government-wide statements by providing information about the Okabena-Ocheda Watershed District's most significant funds. Since Okabena-Ocheda Watershed District is a single-purpose special purpose government, it is generally able to combine the government-wide and fund financial statements into single presentations. Okabena-Ocheda Watershed District has elected to present in this format.

Statement of Net Position and Statement of Activities

The District presents governmental activities in the Statement of Net Position and the Statement of Activities. All of the District's basic services, including appropriations from the county and state, and finance activities, are reported in these financial statements.

Our analysis of the Okabena-Ocheda Watershed District begins with the Statement of Net Position and the Statement of Activities of which can be found on pages 7 and 8 of this report. One of the most important questions asked about the District's finances is, "is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

OKABENA-OCHEDEA WATERSHED DISTRICT
MANGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position and changes in them. You can think of the District's net assets - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider non-financial factors to assess the overall health of the District.

FUND FINANCIAL STATEMENTS

Our analysis of the Okabena-Ochedea Watershed District's (WSD) general fund begins on page 8. The financial statements continue on page 8 and provide detailed information about the district as a whole. The WSD presents only a general fund, which is a governmental fund. All of the WSD's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the WSD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the WSD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

Notes to the Financial Statement

The Notes to the Financial Statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes provide information such as: 1) Summary of Significant Accounting Policies; 2) Deposits and Investments; and 3) Risk Management. The Notes to the Financial Statements are on pages 10 - 16.

Statement of Net Position

The total assets of the District's governmental activities increased by \$85,565 from one year ago, (from 2021 to 2022), due to the District having revenues in excess of expenditures in 2022. Unrestricted net position is the part of fund balance that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net position was \$596,085 in 2021 and \$680,975 in 2022, an increase of \$84,890 or approximately 14%.

Statement of Net Position:	<u>Governmental Activities</u>	
	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Current and Other Assets	\$ 681,650	\$ 596,085
Total Assets	<u>\$ 681,650</u>	<u>\$ 596,085</u>
Current Liabilities	<u>\$ 675</u>	<u>\$ -</u>
Net Position, Unrestricted	<u>\$ 680,975</u>	<u>\$ 596,085</u>

OKABENA-OCHEDA WATERSHED DISTRICT
MANGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

Statement of Activities:

The District's total revenues decreased by \$20,511, or 6% less revenue from one year ago (from 2021 to 2022). The total cost of all programs and services increased by \$504, or less than 1% (from 2021 to 2022). The increase in revenue is largely due to the receipt of grant project payment funds.

Changes in Net Position:

Revenues	<u>Governmental Activities</u>	
	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
County	\$ 262,561	\$ 264,105
State	1,620	1,705
Other Governmental	-	-
Charges for Services	225	150
Interest	1,172	745
Property Rent	1,400	1,400
Contributions for Projects	31,162	52,000
Misc. Revenue	10,789	9,335
Total Revenues	<u>\$ 308,929</u>	<u>\$ 329,440</u>
Expenditures		
General Government	\$ 177,586	\$ 164,157
Projects	46,453	59,378
Total Expenditures	<u>\$ 224,039</u>	<u>\$ 223,535</u>
Change in Net Position	<u>\$ 84,890</u>	<u>\$ 105,905</u>

BUDGETARY COMPARISON

The District budgeted \$47,708 in expenditures over revenues. Actual revenues were \$11,821 less than budget and expenditures were \$144,419 less than budget. The most notable line items were project contributions and costs and other conservation expenses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dan Livdahl at the Okabena-Ocheda Watershed District, PO Box 114, Worthington, Minnesota 56187-2822 or call (507)372-8228.

OKABENA-OCHEDEA WATERSHED DISTRICT
WORTHINGTON, MINNESOTA
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Adjustment Note G	Gov't Wide Statement of Net Position
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash	\$ 435,748	\$ -	\$ 435,748
Investments	245,902	-	245,902
Accounts Receivable	-	-	-
Total Assets	<u>\$ 681,650</u>	<u>\$ -</u>	<u>\$ 681,650</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Current Liabilities			
Accounts Payable	\$ 675	\$ -	\$ 675
Total Liabilities	<u>675</u>	<u>-</u>	<u>675</u>
 Fund Balance			
Assigned-Lake Enhancement	\$ 56,000	\$ (56,000)	\$ -
Unassigned	624,975	(624,975)	-
Total Fund Balance	<u>680,975</u>	<u>(680,975)</u>	<u>-</u>
 Total Liabilities and Fund Balance			
	<u>\$ 681,650</u>	<u>\$ (680,975)</u>	<u>\$ 675</u>
 <u>NET POSITION</u>			
Unrestricted		\$ 680,975	\$ 680,975
Total Net Position		<u>\$ 680,975</u>	<u>\$ 680,975</u>

The notes to the financial statements are an integral part of this statement.

OKABENA-OCHEDA WATERSHED DISTRICT
WORTHINGTON, MINNESOTA
STATEMENTS OF ACTIVITIES AND
GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Adjustment Note G	Gov't Wide Statement of Net Assets
	<u> </u>	<u> </u>	<u> </u>
<u>REVENUES</u>			
Intergovernmental	\$ 264,181	\$ -	\$ 264,181
Charges for Services	225	-	225
Investment Earnings	1,172	-	1,172
Contributions for Projects	31,162	-	31,162
Property Rent	1,400	-	1,400
Miscellaneous	10,789	-	10,789
Total Revenues	<u>\$ 308,929</u>	<u>\$ -</u>	<u>\$ 308,929</u>
 <u>EXPENDITURES</u>			
Payroll Costs and Benefits	\$ 93,761	\$ -	\$ 93,761
Cost Share and Incentives	37,842	-	37,842
Office Expense	5,407	-	5,407
Insurance	3,415	-	3,415
Maintenance	16,751	-	16,751
Project Costs	46,453	-	46,453
Other Conservation Expenses	16,084	-	16,084
Miscellaneous	4,326	-	4,326
Total Expenditures	<u>224,039</u>	<u>-</u>	<u>224,039</u>
 Excess of Revenues Over Expenditu	 84,890	 -	 84,890
 <u>FUND BALANCE / NET POSITION</u>			
Fund Balance - January 1, 2022	<u>596,085</u>	(596,085)	-
Fund Balance - December 31, 2022	<u>\$ 680,975</u>		
 Net Position - January 1, 2022		<u>596,085</u>	<u>596,085</u>
Net Position - December 31, 2022		<u>\$ -</u>	<u>\$ 680,975</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Summary of Significant Accounting Policies

The financial reporting policies of the Okabena-Ocheda Watershed District conform to accounting principles generally accepted in the United States of America. These statements are prepared in accordance with professional standards, which require specific criteria in which the statement of net position and the statement of revenues and expenditures are reported.

A. Financial Reporting Entity

The District is organized under the provisions of MN Stat. Chapter 103C and is governed by a Board of Managers composed of five members nominated by voters of the District and elected to four-year terms by the voters of the County. The purpose of the District is to assist land occupiers in applying practices for the conservation of soil and water resources. These practices are intended to control wind and water erosion, pollution of lakes and streams, and damage to wetlands and wildlife habitats.

The Okabena-Ocheda Watershed District, in cooperation with the U.S. Department of Agriculture's Natural Resources Conservation Service and other agencies, provides technical and financial assistance to individuals, groups, organizations, and governments in reducing costly waste of soil and water resulting from soil erosion, sedimentation, pollution and improper land use.

Each fiscal year, the District develops a work plan which is used as a guide in using resources effectively to provide maximum conservation of all lands within its boundaries. The work plan includes guidelines for employees and technicians to follow in order to achieve the District's objective.

Accounting principles generally accepted in the United States of America require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principles, the District does not have any component units.

B. Basis Of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the Okabena-Ocheda Watershed District as a whole. They include all funds of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

Fund Financial Statements:

Fund financial statements of the Okabena-Ocheda Watershed District are organized into a single general fund.

General Fund

The General Fund is the primary operating fund of the Okabena-Ocheda Watershed District. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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 considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue is recognized when all eligibility requirements have been met. The District also receives an annual appropriation from the County, which is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

Project expenditures represent costs that are funded from federal, state or district revenues. State project expenditures consist of grants to participants of the Cost-Share Program and other state programs. District project expenditures are costs of materials and supplies in District projects.

D. Budgeting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. All annual appropriations lapse at fiscal year-end.

A proposed budget is prepared and approved by the Board of Managers. The certified tax levy must be submitted to the county auditor. The budget was not amended during the fiscal year.

The District does not employ encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable fund balance.

E. Property Taxes

Property taxes are collected and remitted to the District by Nobles County. The County spreads all levies over taxable property. Property taxes are generally paid by taxpayers in two equal installments, on May 15 and October 15. The County provides tax settlements to the District three times a year. Generally, the settlements are received in January, July and December.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

F. Assets, Liabilities And Equity Accounts

Assets

Cash and Investments

For the purpose of the Statement of Net Position, "cash" includes all demand, savings accounts, and certificates of deposits of the Okabena-Ocheda Watershed District. Investments are stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost.

Accounts Receivable

The District invoices the City in which it operates for cost share expense reimbursement and other billings for services. These amounts are included in accounts receivable if unpaid as of the end of the year. No allowance for bad debts is computed because it is reasonably expected that all accounts receivable will be collectible.

Inventories

Since the District does not operate a central store, supplies and other consumable items are expensed when they are purchased.

Equity

Government-wide Statements

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

- a. Restricted - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The WSD reports no restriction on net position as of December 31, 2021.
- b. Unrestricted - The remaining net position that does not meet the definition of "restricted".

When Restricted, or unrestricted resources are available for use, it is the City's policy to use resources in the following order; 1) restricted 2) unrestricted.

Fund Financial Statements

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

F. Assets, Liabilities And Equity Accounts (continued)

Fund Financial Statements (continued)

- a. Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.
- b. Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.
- c. Committed - consists of internally imposed constraints. These constraints are established by Resolution of the Board of Trustees.
- d. Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the Association's intended use. These constraints are established by the Board of Trustees.
- e. Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When committed, assigned, or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed 2) assigned 3) unassigned. The WSD reports \$56,000 in assigned fund balance as of December 31, 2022.

G. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliations between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation is the reporting of fund balances. Fund balances are reported as net position in accordance with professional standards.

2. Deposits and Investments

In accordance with Minnesota Statutes, the District maintains its deposits at a depository bank, which is a member of the Federal Reserve System, authorized by the District Board of Managers. Cash balances from all funds are invested to the extent possible in demand deposit and money market accounts. Earnings from such investments are recorded in their respective funds.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires deposits to be 110 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

2. Deposits and Investments (continued)

Deposits (continued)

Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law. The District's Board of Managers approves and designates a list of authorized depository institutions.

As of December 31, 2022, the District's bank balance was not exposed to custodial credit risk, as noted below as it was not insured and properly collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Balances at December 31, 2022:

	<u>Bank Balances</u>	<u>Carrying Amount</u>
Total	\$ 685,380	\$ 681,650
Insured - FDIC insurance or collateral	(495,902)	(495,902)
Uninsured deposits	189,478	185,748
110% of uninsured deposits	208,426	204,323
Collateral market value at 12/31/22	-	-
Insufficient collateral coverage	<u>\$ 208,426</u>	<u>\$ 204,323</u>

Interest Income on Cash and Investments

Interest income for the year ending December 31, 2022 is as follows:

General Fund	\$ 1,172
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3. Stewardship, Compliance and Accountability

Deficit Fund Equity and Budgeted Expenditures

No funds of the District had deficit fund balances or net position at December 31, 2022.

The District reports expenditures in excess of budgeted amounts for maintenance costs for the year ending December, 2022.

4. Retirement Plan

Plan Description

All full-time and certain part-time employees of the Okabena-Ocheda Watershed District are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (accounted for in the General Employees Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

4. Retirement Plan (continued)

Plan Description

General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and survivor benefits upon death of eligible members. Benefits are established by state statute. Benefits for members of the General Employees Plan vest after five years of credited service. The defined benefit retirement plan benefits are based on a member's highest average salary for any 5 years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7% respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service and 2.7% for Basic members. For all members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

For all General Employee Plan members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

4. Retirement Plan (continued)

Funding Policy (continued)

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state Legislature. In 2022, Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary. The Okabena-Ocheda Watershed District makes annual contributions to the pension plans equal to the amount required by state statutes. In 2022, the Okabena-Ocheda Watershed District was required to contribute 7.5 percent of annual covered payroll for Coordinated Pan members.

The District's contributions to the General Employees Fund for the years ending December 31, 2022, 2021 and 2020 were \$4,829, \$4,687, and \$4,552 respectively.

5. Risk Management

The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities and worker's compensation are insured through Minnesota Counties Insurance Trust. The District is covered for errors and omissions through Minnesota Counties Insurance Trust.

6. Subsequent Events

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through February 15, 2023, the date on which the financial statements were available to be issued.

OKABENA-OCHEDA WATERSHED DISTRICT
WORTHINGTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Original Budget	Final Budget	General Fund Actual	Variance with Final Budget Over (Under)
<u>REVENUES</u>				
Intergovernmental	\$ 262,000	\$ 262,000	\$ 264,181	\$ 2,181
Charges for Services	200	200	225	25
Investment Earnings	150	150	1,172	1,022
Property Rent	1,400	1,400	1,400	-
Contributions for Projects	50,000	50,000	31,162	(18,838)
Miscellaneous	7,000	7,000	10,789	3,789
Total Revenues	<u>\$ 320,750</u>	<u>\$ 320,750</u>	<u>\$ 308,929</u>	<u>\$ (11,821)</u>
<u>EXPENDITURES</u>				
Payroll Costs and Benefits	\$ 97,749	\$ 97,749	\$ 93,761	\$ (3,988)
Cost Share and Incentives	55,000	55,000	37,842	(17,158)
Office Expense	8,310	8,310	5,407	(2,903)
Insurance	4,000	4,000	3,415	(585)
Maintenance	4,000	4,000	16,751	12,751
Project Costs	121,000	121,000	46,453	(74,547)
Other Conservation Expenses	72,399	72,399	16,084	(56,315)
Miscellaneous	6,000	6,000	4,326	(1,674)
Total Expenditures	<u>\$ 368,458</u>	<u>\$ 368,458</u>	<u>\$ 224,039</u>	<u>\$ (144,419)</u>
Excess of Revenues Over Expenditures	\$ (47,708)	\$ (47,708)	\$ 84,890	\$ 132,598
Fund Balance - January 1, 2022	<u>596,085</u>	<u>596,085</u>	<u>596,085</u>	<u>-</u>
Fund Balance - December 31, 2022	<u>\$ 548,377</u>	<u>\$ 548,377</u>	<u>\$ 680,975</u>	<u>\$ 132,598</u>

The notes to the financial statements are an integral part of this statement.

DENNIS L. RICK, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

Minnesota Society of Certified Public Accountants

DENNIS L. RICK, CPA

Minnesota Association of Public Accountants

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

To The Board of Managers
Okabena-Ocheda Watershed District
Worthington, 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 general fund of Okabena-Ocheda Watershed District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 15, 2023.

In connection with our audit, we noted that Okabena-Ocheda Watershed District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. Section 6.65, insofar as they related to accounting matters as described in the following paragraph. Also, in connection with our audit, nothing came to our attention that caused us to believe that Okabena-Ocheda Watershed District failed to comply with the provisions of the contracting - bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, insofar as they related 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 Okabena-Ocheda Watershed District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.*

If a government entity desires to deposit an amount in excess of deposit insurance, it must obtain a bond or collateral which, when computed at its market value, shall be at least ten percent more than the amount of the excess deposit at the close of the banking day. For the purpose of this section "banking day" has the meaning given in Federal Reserve Board Regulation CC, 12 C.F.R. Section 229.2(f), and incorporates a financial institution's cutoff hour established under Minn. Stat. Section 336.4-108. If irrevocable standby letters of credit from Federal Home Loan Banks are used as collateral, the amount must be equal to the amount of the excess deposit at the close of the banking day. As of December 31, 2022, the District had \$208,426 in uninsured/under collateralized deposits.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the legal compliance findings identified in our audit and described in the previous paragraph. The District's response is that it will work with the financial institution to obtain sufficient collateralization of their excess deposits. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Dennis J. Riek, Ltd.

Worthington, Minnesota
February 15, 2023