

OKABENA-CHEDA
WATERSHED DISTRICT

WORTHINGTON, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

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INTRODUCTORY SECTION

OKABENA-UCHEDA WATERSHED DISTRICT
ORGANIZATIONAL INFORMATION
DECEMBER 31, 2023

WATERSHED DISTRICT
BOARD MEMBERS

MEMBER	POSITION	TERM EXPIRES
Rolf Mahlberg	President	10-31-25
Casey Ingenthron	Vice President	10-31-26
Jeff Rogers	Secretary	10-31-26
Jay Milbrandt	Treasurer	10-31-24
Steve Bousema	Manager	10-31-24
	EMPLOYEE	
Daniel Livdahl	Administrator	Appointed

FINANCIAL SECTION

KATIE M. JACOBSON, CPA

Katie M. Jacobson, CPA
Kimberly Eisfeld - Snr. Mgr.
Brandon Winter - Staff Acct.
Christine Thompson - Staff Acct.

Licensed CPA Firm

2330 26th Street
Slayton, MN 56172
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Okabena-Ocheda Watershed District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Okabena-Ocheda Watershed District's basic financial statements as listed in the table of contents.

Qualified Opinion on the Governmental Activities

In our opinion, except for the possible 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, 2023 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 the 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, 2023, and the respective changes in financial position and budgetary comparison for the General Fund 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 audit opinions.

Matter Giving Rise to the Qualified Opinion on the Governmental Activities

The District has not adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in the governmental activities, and, accordingly, has not shown activity related to this statement. Accounting principles generally accepted in the United States of America require that pension balances be shown, which would report deferred outflows of resources, deferred inflows of resources and liabilities or assets, while changing the net position in the applicable statements. The amount by which this departure would affect the statement of net position and statement of activities has not been determined.

Responsibilities of Management 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 the 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 an 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 on pages 4 through 8 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 inquires 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 included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Katie M Jacobson, CPA

Katie M. Jacobson, CPA
Slayton, MN

August 8, 2024

OKABENA-OCHEDE WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2023

This section of Okabena-Ocheda Watershed District's annual financial report represents our discussion and analysis of the District's performance during the year ended December 31, 2023. Since 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 financial statements.

USING THE FINANCIAL STATEMENTS

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, financial statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's general fund. Since Districts are single-purpose governmental units, the District combines the government-wide and fund financial statements into a single presentation. Okabena-Ocheda Watershed District has elected to present in this format.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

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. 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 position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources - 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 other nonfinancial factors, however, such as changes in the state or local governmental funding, to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, the District presents governmental activities. All of the District's basic services are reported here. Tax levies from the county and state grants and appropriations finance most activities.

REPORTING THE DISTRICT'S GENERAL FUND

Our analysis of the District's general fund is part of this report. The fund financial statements provide detailed information about the general fund - not the District as a whole. The District presents only a general fund, which is a governmental fund. All of the District's basic services are reported in the general fund, which focuses on how money flows into and out of the fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called modified accrual accounting. This method measures cash and other financial assets that can be readily converted to cash. The general fund statements provide a detail short-term view of the District'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 District'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 used with the financial statements.

OKABENA-CHEDA WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was \$779,994 on December 31, 2023 (see detail in Table A-1). This is up from \$710,626 at December 31, 2022.

Table A-1
Summary of Net Position

	Governmental Activities 2023	2022	Change
Assets			
Current and Other Assets	\$ 1,206,160	\$ 681,651	76.95%
Capital and Non-Current Assets	27,441	29,650	-7.45%
Total Assets	<u>\$ 1,233,601</u>	<u>\$ 711,301</u>	73.43%
Liabilities			
Current Liabilities	\$ 449,533	\$ 675	66497.48%
Long-Term Liabilities	4,074	-	100.00%
Total Liabilities	<u>\$ 453,607</u>	<u>\$ 675</u>	67101.04%
Net Position			
Investment in Capital Assets	\$ 27,441	\$ 29,650	-7.45%
Unrestricted	752,553	680,976	10.51%
Total Net Position	<u>\$ 779,994</u>	<u>\$ 710,626</u>	9.76%

Net position of the District's governmental activities increased by \$69,368. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from \$680,976 at December 31, 2022 to \$752,553 as of December 31, 2023.

OKABENA-CHEDA WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2023

Changes in net position: The District's total governmental activities revenues increased by \$50,138 or 16.23%. The total cost of all programs and services increased by \$63,681 or 28.18% primarily due to increased project costs. The net position for governmental activities increased by \$69,368 compared to an increase of \$82,911 in 2022.

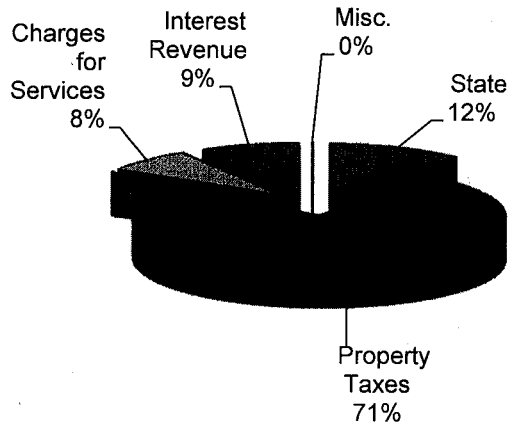
Table A-2
Changes in Net Position

	Governmental Activities Total 2023	Total 2022	Percentage Change
Revenues			
State	\$ 42,826	\$ 1,620	2543.58%
Property Taxes	256,561	251,047	2.20%
Charges for Services	28,330	53,521	-47.07%
Interest Revenue	31,113	1,172	2554.69%
Miscellaneous	237	1,569	-84.89%
Total Revenues	<u>\$ 359,067</u>	<u>\$ 308,929</u>	16.23%
Expenses			
District Operations	\$ 145,273	\$ 144,284	0.69%
Project Expenditures:			
District	103,070	72,634	41.90%
State	41,356	9,100	354.46%
Total Expenses	<u>\$ 289,699</u>	<u>\$ 226,018</u>	28.18%
Change in Net Position	\$ 69,368	\$ 82,911	-16.33%
Beginning Net Position	710,626	627,715	13.21%
Ending Net Position	<u><u>\$ 779,994</u></u>	<u><u>\$ 710,626</u></u>	9.76%

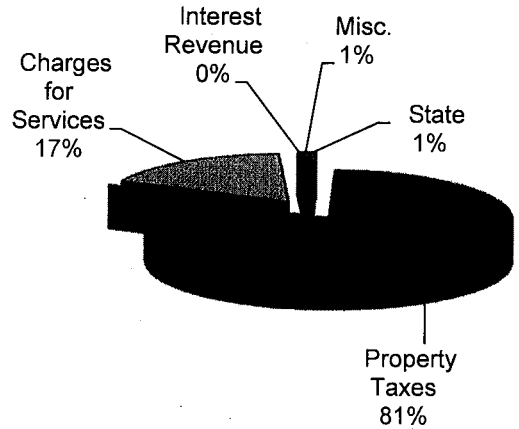
OKABENA-CHEDA WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2023

Pie charts for revenue and expense categories are presented in Tables A-3 and A-4.

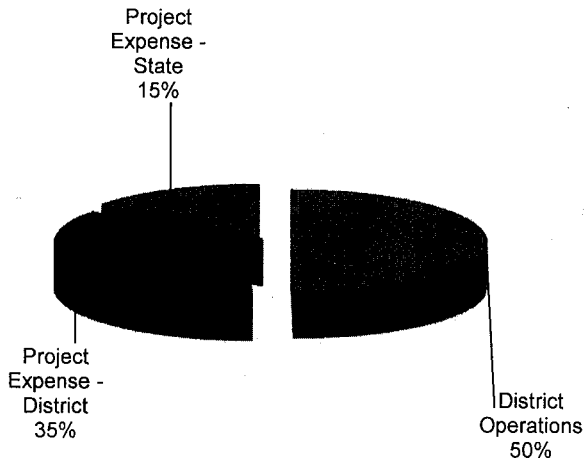
2023 Gov. Activities Revenues - Table A-3



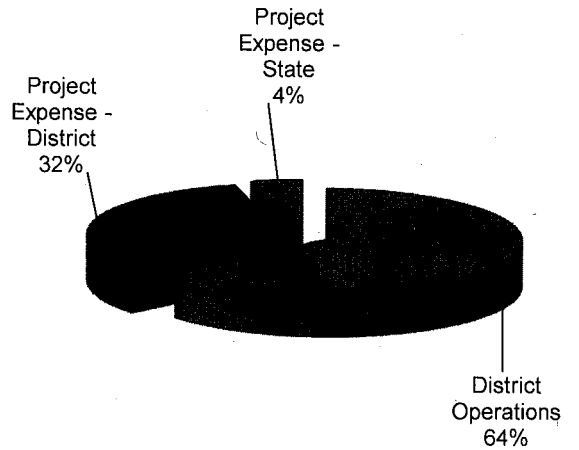
2022 Gov. Activities Revenues - Table A-3



2023 Gov. Activities Expenses - Table A-4



2022 Gov. Activities Expenses - Table A-4



OKABENA-OCHEDA WATERSHED DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2023

GENERAL FUND

As the District completed this year, its general fund reported a fund balance of \$756,627, which is an increase from last year's balance of \$680,976. General Fund revenues exceeded expenditures by \$75,651.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$20,916 over the final budgeted amounts. This was due to higher than anticipated project costs.

Resources available for appropriation (revenues) were over budget by \$96,567. This is primarily due to intergovernmental revenues, charges for services, and interest revenue. The district did not spend down all of the revenues received, therefore a significant portion of the revenues received were classified as unearned.

CAPITAL ASSETS

At the end of 2023, the District had a net depreciated basis of \$27,441 invested in capital assets, including land improvements and equipment. Depreciation expense totaled \$2,209 for 2023.

LONG TERM LIABILITIES

The District's long-term liabilities include \$4,074 for compensated absences. Detailed information about the District's long-term liabilities is presented in the Notes to the Financial Statement in Note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected officials considered many factors when setting the fiscal year 2023 budget and fees. Such factors include agricultural and nonagricultural job growth, population growth, unemployment figures, inflation, and other indicators.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Okabena-Ocheda Watershed District's finances. Questions concerning any of the financial information provided in this report or requested for additional financial information should be addressed to the District Administrator of the Okabena-Ocheda Watershed District, Daniel Livdahl, 960 Diagonal Road, PO Box 114, Worthington, MN 56187 or 507-372-8228.

OKABENA-CHEDA WATERSHED DISTRICT
GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION
DECEMBER 31, 2023

	General Fund	Adjustments See Reconciliation	Statement of Net Position
ASSETS			
Current Assets			
Checking	\$ 115,385		\$ 115,385
Savings and Money Market	192,200		192,200
Certificate of Deposits	856,164		856,164
Interest Receivable	22,451		22,451
Taxes Receivable	5,844		5,844
Less: Allowance for Delinquent Taxes	(2,632)		(2,632)
Due from Other Governmental Units	14,159		14,159
Prepaid Items	2,589		2,589
Noncurrent Assets			
Capital Assets Depreciable, Net		\$ 27,441	27,441
TOTAL ASSETS	<u>\$ 1,206,160</u>	<u>\$ 27,441</u>	<u>\$ 1,233,601</u>
LIABILITIES AND FUND BALANCE/NET POSITION			
Current Liabilities			
Accounts Payable	\$ 825		\$ 825
Accrued Wages Payable	2,603		2,603
Accrued Payroll Liabilities	2,305		2,305
Unearned Revenues	443,800		443,800
Noncurrent Liabilities			
Compensated Absences		\$ 4,074	4,074
Total Liabilities	<u>\$ 449,533</u>	<u>\$ 4,074</u>	<u>\$ 453,607</u>
FUND BALANCE			
Nonspendable	\$ 2,589	\$ (2,589)	
Assigned	56,000	(56,000)	
Unassigned	698,038	(698,038)	
Total Fund Balance	<u>\$ 756,627</u>	<u>\$ (756,627)</u>	
NET POSITION			
Net Investment in Capital Assets		\$ 27,441	\$ 27,441
Unrestricted		752,553	752,553
Total Net Position		<u>\$ 779,994</u>	<u>\$ 779,994</u>
TOTAL LIABILITIES AND FUND BALANCE/NET POSITION	<u>\$ 1,206,160</u>	<u>\$ 27,441</u>	<u>\$ 1,233,601</u>

OKABENA-UCHEDA WATERSHED DISTRICT
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Total Fund Balances for Governmental Funds	\$ 756,627
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet.	27,441
Compensated Absences are not due and payable in the current period and are not reported in the governmental fund balance sheet.	<u>(4,074)</u>
Total Net Position of Governmental Activities	<u><u>\$ 779,994</u></u>

OKABENA-CHEDA WATERSHED DISTRICT
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Adjustments See Reconciliation	Statement of Activities
REVENUES			
INTERGOVERNMENTAL			
County	\$ 256,561		\$ 256,561
State	42,826		42,826
Total Intergovernmental Revenues	<u>\$ 299,387</u>	<u>\$ -</u>	<u>\$ 299,387</u>
CHARGES FOR SERVICES	\$ 28,330		\$ 28,330
Total Charges for Services	<u>\$ 28,330</u>	<u>\$ -</u>	<u>\$ 28,330</u>
MISCELLANEOUS			
Interest Revenue	\$ 31,113		\$ 31,113
Miscellaneous	237		237
Total Miscellaneous Revenues	<u>\$ 31,350</u>	<u>\$ -</u>	<u>\$ 31,350</u>
TOTAL REVENUES	<u>\$ 359,067</u>	<u>\$ -</u>	<u>\$ 359,067</u>
EXPENDITURES			
CONSERVATION			
Current	\$ 283,416	\$ 6,283	\$ 289,699
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 283,416</u>	<u>\$ 6,283</u>	<u>\$ 289,699</u>
NET CHANGE IN FUND BALANCE/NET POSITION	\$ 75,651	\$ (6,283)	\$ 69,368
FUND BALANCE/NET POSITION - January 1	<u>680,976</u>	<u>29,650</u>	<u>710,626</u>
FUND BALANCE/NET POSITION - December 31	<u><u>\$ 756,627</u></u>	<u><u>\$ 23,367</u></u>	<u><u>\$ 779,994</u></u>

OKABENA-UCHEDA WATERSHED DISTRICT
RECONCILIATION OF THE GENERAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Net Change in Fund Balance - Total Governmental Funds	\$ 75,651
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Current year depreciation expense	(2,209)
The Statement of Activities report compensated absences by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
Current year compensated absences adjustment	<u>(4,074)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 69,368</u></u>

OKABENA-UCHEDA WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	BUDGETED AMOUNTS ORIGINAL AND FINAL	2023 ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
INTERGOVERNMENTAL			
County	\$ 253,000	\$ 256,561	\$ 3,561
State		42,826	42,826
Total Intergovernmental Revenues	<u>\$ 253,000</u>	<u>\$ 299,387</u>	<u>\$ 46,387</u>
CHARGES FOR SERVICES	<u>\$ 7,600</u>	<u>\$ 28,330</u>	<u>\$ 20,730</u>
Total Charges for Services	<u>\$ 7,600</u>	<u>\$ 28,330</u>	<u>\$ 20,730</u>
MISCELLANEOUS			
Interest Revenue	\$ 900	\$ 31,113	\$ 30,213
Insurance Dividend		224	224
Miscellaneous	1,000	13	(987)
Total Miscellaneous Revenues	<u>\$ 1,900</u>	<u>\$ 31,350</u>	<u>\$ 29,450</u>
TOTAL REVENUES	<u>\$ 262,500</u>	<u>\$ 359,067</u>	<u>\$ 96,567</u>
EXPENDITURES			
DISTRICT OPERATIONS			
Personnel Services	\$ 102,944	\$ 100,841	\$ 2,103
Other Services and Charges	40,056	38,149	1,907
Total District Operations	<u>\$ 143,000</u>	<u>\$ 138,990</u>	<u>\$ 4,010</u>
PROJECT EXPENDITURES			
District	\$ 119,500	\$ 103,070	\$ 16,430
State		41,356	(41,356)
Total Project Expenditures	<u>\$ 119,500</u>	<u>\$ 144,426</u>	<u>\$ (24,926)</u>
TOTAL EXPENDITURES	<u>\$ 262,500</u>	<u>\$ 283,416</u>	<u>\$ (20,916)</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ 75,651	\$ 75,651
FUND BALANCE - January 1	<u>680,976</u>	<u>680,976</u>	<u>-</u>
FUND BALANCE - December 31	<u><u>\$ 680,976</u></u>	<u><u>\$ 756,627</u></u>	<u><u>\$ 75,651</u></u>

OKABENA-OCHEDE WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with general accepted accounting principles (GAAP) as of and for the year ended December 31, 2023. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Financial Reporting Entity

The Okabena-Ocheda Watershed District was organized under provisions of Minnesota Statutes § 103C. The District 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 habits.

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 objectives.

General accepted accounting principles 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. Basic Financial Statements

The governmental activities columns are reported on the full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in two parts: investment in capital assets and unrestricted net position. The Statement of Activities demonstrates the degree to which the expenses of the District are offset by revenues. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund are presented on the modified accrual basis and report current financial resources.

C. Fund Financial Statements

The government reports the General Fund as its only major governmental fund. The General Fund accounts for all financial resources of the government.

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 collected within one year of the end of the current fiscal period. Expenditures are recorded when a liability is incurred under accrual accounting.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred. Investment earnings are recognized when earned. Other revenues are recognized when they are received in cash because they usually are not measurable until then.

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

OKABENA-OCHEDEA WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Budget Information

The District adopts an estimated revenue and expenditure budget for the general fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require District approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect: the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities and Net Position or Equity

Assets

Cash balances are invested to the extent available in money market savings and certificates of deposit. Earnings from investments are recorded in the respective funds. Certificates of deposit are stated at cost plus interest earned and added which approximates market value.

Accounts Receivable, Other Receivable, and Due from Other Governmental Units have been recorded for those items not paid before year end. All items recorded are considered collectible. Accordingly, no allowances for uncollectible accounts has been recorded.

Property tax levies are set by the Board in September each year, and are certified to Nobles County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The County spreads all levies over taxable property. Real property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The County provides tax settlements to all taxing districts three times a year. Generally, the settlements are received in January, June and December.

Real Estate taxes become a lien on January 1 and are recorded as receivable by the District on that date. Taxes which remain unpaid within 60 days after December 31, are classified as a contra account, allowance for delinquent taxes, in the fund financial statements because they are not available to finance current expenditures.

Prepaid items include operating expenses that have been paid in advance of their due date.

Capital assets are reported on a net (depreciated) basis. General capital assets are valued at historical or estimated historical cost.

Liabilities

Current liabilities of the District include accounts payable, accrued wages and related taxes, and unearned revenues.

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

Noncurrent liabilities consists of compensated absences.

Compensated Absences

Under the District's personnel policies, employees are granted vacation benefits in varying amounts based on their length of service. Vacation accrual varies from 80 to 160 hours per year. Upon termination, any earned and unused vacation pay up to a maximum of 240 hours will be included in the last paycheck. Payment shall be at the employee's base rate at the time of termination.

Classifications of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the General Fund. The classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because it is 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.

OKABENA-OCHEDA WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Classifications of Fund Balances (Cont.)

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the District Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to Board Resolution, the District Board and/or Executive Secretary may be authorized to establish assignments of fund balance.

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

Okabena-Ocheda Watershed District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Explanation of Adjustments Column in Statements

Capital Assets - In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made if the District has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date, and reconciles the amount reported in the Capital Assets note.

Depreciation - In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported. This number is supported by figures in the note on Capital Assets.

Compensated Absences - In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made for the compensated absences the employees are granted according to the District's personnel policies.

H. Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through August 8, 2024, the date the financial statements were available to be issued.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

General Fund Policies

The board of supervisors adopts estimated revenue and expenditure budgets for the General Fund. The budget may be amended or modified at any time by the board of supervisors. Expenditures may not legally exceed budgeted revenues. Comparisons of final budgeted revenues and expenditures to actual are presented in the budgetary comparison schedule found on page 13 for the General Fund.

Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

Deficit Fund Balance

The General Fund did not have a deficit fund balance at December 31, 2023.

Excess Expenditures over Appropriations

Expenditures exceeded budget in the General Fund.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 262,500	\$ 283,416	\$ 20,916

The over expenditures were approved by the board and funded by existing fund balance.

OKABENA-OCHEDE WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS

3. CASH AND CERTIFICATES OF DEPOSIT

Cash balances of the primary government and component unit are invested to the extent available in various investments authorized by state statutes. The District's investing activities are managed by the administrator upon the approval of the board. For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized below.

Deposits and Investments

Minnesota statutes require that all deposits with financial institutions must be collateralized in an amount equal to 110% of deposits in excess of FDIC insurance. As of December 31, 2023, the carrying amount of the District's deposits with financial institutions was \$1,163,749 and the bank balance was \$1,165,089.

The bank balance is categorized as follows:

Insured by FDIC Insurance	\$ 751,941
Covered by collateral assigned to District and not redeposited in the financial institution furnishing the collateral	413,148
Total Bank Balance	<u>\$ 1,165,089</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of December 31, 2023, the District's deposits were not exposed to custodial credit risk.

Investments

The District may invest in the following types of investments authorized by Minn. Stat. § 118A.04 and § 118A.058:

1. Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118.04m subd. 6;
2. mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
3. general obligations of the state of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
4. bankers acceptances of United States banks;
5. commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- 6 with certain restrictions, in repurchase agreements, securities lending agreements, joint power investment trusts, and guaranteed investment contracts.

The District had no investments at December 31, 2023.

4. CAPITAL ASSETS

Changes in Capital Assets:

	Balance 1/1/2023	Additions	Deductions	Balance 12/31/2023
Land Improvements	\$ 29,671			\$ 29,671
Equipment	13,806			13,806
Total	\$ 43,477	\$ -	\$ -	\$ 43,477
Accumulated Depreciation	(13,827)	(2,209)		(16,036)
Governmental Activities, Net	<u>\$ 29,650</u>	<u>\$ (2,209)</u>	<u>\$ -</u>	<u>\$ 27,441</u>

The cost of capital assets are depreciated over the estimated useful lives of related assets. Depreciation is computed using the straight-line method. The range of estimated useful lives by type of assets is as follows:

Land Improvements	10-30 years
Equipment	5-7 years

Current year depreciation expense of \$2,209 was charged to the District for the year ended December 31, 2023.

OKABENA-CHEDA WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS

5. PAYABLES

Payables at December 31, 2023, were as follows:

Governmental Activities	
Accounts Payable	\$ 825
Accrued Wages Payable	2,603
Accrued Payroll Liabilities	2,305
Total Payables	<u>\$ 5,733</u>

6. UNEARNED REVENUE

Unearned revenue represents an advance from the Minnesota Board of Water and Soil Resources (BWSR) for watershed quality improvement. Revenues will be recognized when the related program expenses are recorded. Unearned revenue for the year ended December 31, 2023, consist of the following:

Governmental Activities	
Crailsheim Water Quality Improvement Pond Grant (State)	\$ 443,800
Total	<u>\$ 443,800</u>

7. COMPENSATED ABSENCES

Changes in compensated absences for the period ended December 31, 2023, are:

Governmental Activities	
Balance - January 1, 2023	\$ -
Increase (Decrease) in compensated absences	4,074
Balance - December 31, 2023	<u>\$ 4,074</u>

There were no compensated absences payable to terminated employees as of December 31, 2023. Therefore, the balance at the end of the year is considered to be long-term in nature and no disclosure for a current portion is required.

8. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefits increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

OKABENA-OCHEDA WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (Cont.)

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended December 31, 2023 were \$5,067. The District's contributions were equal to the required contributions as set by state statute.

9. RISK MANAGEMENT

Significant losses are covered by commercial insurance for property coverage, workers compensation, general liability and auto liability. There have been no significant reductions in insurance coverage from prior years.

10. CONTRACTED SERVICES

The District currently contracts with Nobles Soil and Water Conservation District for project services and technical services. Contracted service payments made during 2023 under this contract were \$5,000 for technical and administrative services. There is no written contract for these services.

11. OPERATING LEASE

The District leases office space for \$225 per month. The terms of this lease state that either party can terminate the agreement with a sixty day written notice. Therefore, no minimum lease requirement can be determined.

12. ASSIGNED FUND BALANCE

The assigned fund balance is assigned as follows:

Lake Enhancement	<u>\$ 56,000</u>
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13. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2023, the District compiled the information necessary to properly report capital assets and related accumulated depreciation and depreciation expense as required by generally accepted accounting principles (GAAP). The 2022 reports and prior did not properly report this in accordance with GAAP. The cumulative effect of adopting a new accounting principle has been reported as an adjustment to the beginning net position. The December 31, 2022 previous net position reported was \$680,976. After adoption of the new principle, the December 31, 2022 ending net position was reported as \$710,626. The unrestricted net position remained \$680,976, however, net position as of December 31, 2022 reflects the \$29,650 for Net Investment in Capital Assets.

Additionally, for the year ended December 31, 2023 the District adopted the accounting principle to accrue compensated absences in the government-wide financials due to adoption of new employee policies. The previous unrestricted net position was not affected by the adoption of this accounting policy.

14. JOINT VENTURE

OKABENA-OCHEDA-BELLA CLEAN WATER PARTNERSHIP JOINT POWERS AGREEMENT

The District with City of Worthington formed a joint powers board through which the parties may jointly and cooperatively operate, administer, promote and manage water quality projects within the territory of the Okabena-Ocheda Watershed District. The governing body shall consist of two council members of the City and two board of managers of the District. The District retains no equity position in the joint venture. There are no audited financial statement available for the year ended December 31, 2023.

MANAGEMENT AND COMPLIANCE SECTION

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MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

To the District Board
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 the general fund of Okabena-Ocheda Watershed District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Okabena-Ocheda Watershed District's basic financial statements, and have issued our report thereon dated August 8, 2024.

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*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

August 8, 2024



Katie M. Jacobson, CPA
Slayton, MN