

FINANCIAL STATEMENTS

RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT
CHANHASSEN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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Riley Purgatory Bluff Creek Watershed District
 Chanhassen, Minnesota
 Annual Financial Report
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 For the Year Ended December 31, 2023

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INTRODUCTORY SECTION

RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT
CHANHASSEN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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Riley Purgatory Bluff Creek Watershed District
Chanhausen, Minnesota
Board of Managers and Appointed Officials
For the Year Ended December 31, 2023

BOARD OF MANAGERS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dorothy Pederson	President	07/31/26
David Ziegler	Vice President	07/31/25
Jill Crafton	Treasurer	07/31/24
Tom Duevel	Secretary	07/31/25
Larry Koch	Member	07/31/24

APPOINTED OFFICIALS

Terry Jeffrey	District Administrator
Smith Partners PLLP	District Council
Barr Engineering	District Engineer

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FINANCIAL SECTION

RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT
CHANHASSEN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Managers
Riley Purgatory Bluff Creek Watershed District
Chanhassen, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the Riley Purgatory Bluff Creek Watershed District, Chanhassen, Minnesota (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2023 and the respective changes in financial position and the budgetary comparison for the 509 Plan Implementation fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Other Matters

Report on Summarized Comparative Information

We have previously audited the District's 2022 financial statements, and we expressed unmodified opinions on the respective financial statements in our report dated June 19, 2023. In our opinion, the summarized comparative information presented herein for the respective financial statements as of and for the year ended December 31, 2022 is consistent, in all material respects, with audited financial statements from which it had been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 15 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions starting on page 52 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 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.



Abdo
Minneapolis, Minnesota
June 25, 2024



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Management's Discussion and Analysis

As management of the Riley Purgatory Bluff Creek Watershed District (the District), Chanhassen, Minnesota, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

Financial Highlights

- The assets and deferred outflows or resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased as shown in the summary of changes in net position table on the following pages. The increase in net position was due to a decrease in project costs incurred during and an increase in property tax revenue and investment earnings.
- For the current fiscal year, the District's governmental fund balances are shown in the Financial Analysis of the Governmental Fund section of the MD&A. The total fund balance increased in comparison with the prior year. This increase was mainly due to favorable budget variances in program and project expenditure.
- Classification of fund balances in the 509 Implementation fund are shown in the financial analysis of the District's funds section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements. Internal service funds statements are also included, reflecting balances prior to their elimination from the government-wide financial statements, to avoid "doubling-up" effect within the governmental and business-type activities columns of said statements.

Figure 1
Required Components of the
District's Annual Financial Report

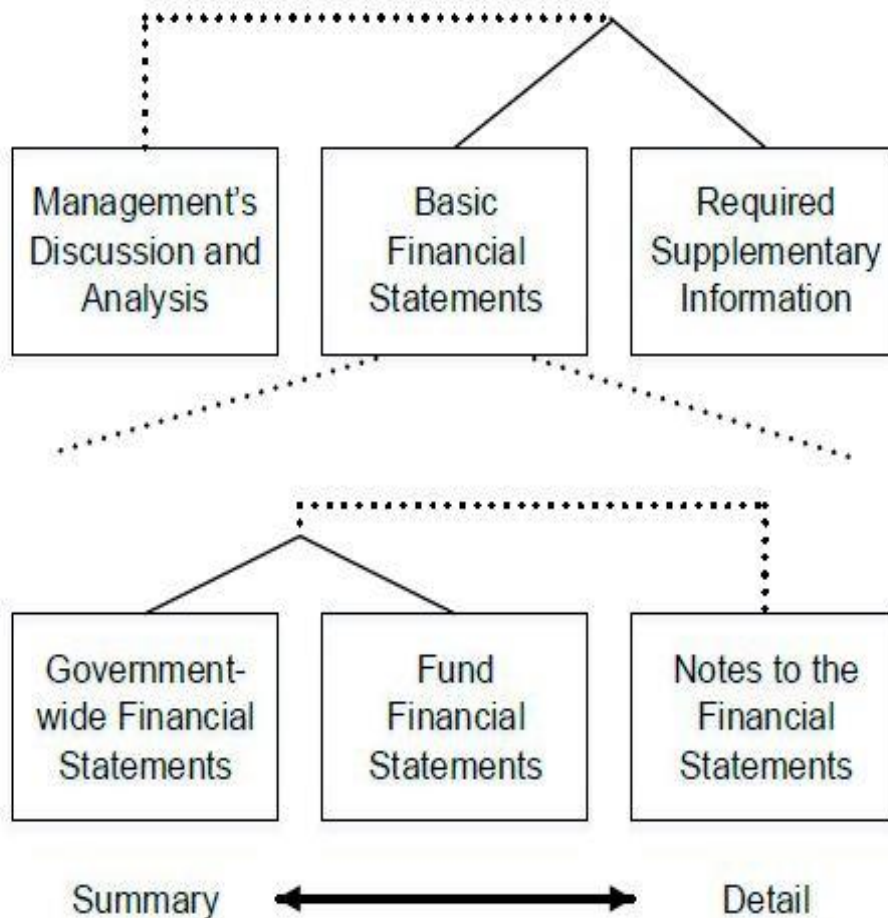


Figure 2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements	
	Government-wide Statements	Governmental Funds
Scope	Entire District	The activities of the District
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., grants and earned but unused vacation and sick leave).

The governmental activities of the District include general government, program costs and project costs. The government-wide financial statements start on page 26 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently maintains one governmental fund.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheets and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its 509 Plan Implementation fund. A budgetary comparison statement has been provided for the 509 Plan Implementation fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 30 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 35 of this report.

Supplementary Information. This report also presents certain required supplementary information concerning the progress in funding its obligation to provide pensions to its employees. Required supplementary information can be found starting on page 52 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year.

By far, the largest portion of the District's net position reflects its investment in capital assets (e.g., land, leased building, equipment, boats, and vehicles, and intangibles), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Riley Purgatory Bluff Creek Watershed District's Summary of Net Position

	December 31,		Increase (Decrease)
	2023	2022	
Assets			
Current	\$ 9,017,465	\$ 7,333,079	\$ 1,684,386
Capital assets, net	944,804	975,704	(30,900)
Total Assets	<u>9,962,269</u>	<u>8,308,783</u>	<u>1,653,486</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>103,739</u>	<u>152,890</u>	<u>(49,151)</u>
Liabilities			
Current	1,009,347	857,165	152,182
Noncurrent	636,754	799,540	(162,786)
Total Liabilities	<u>1,646,101</u>	<u>1,656,705</u>	<u>(10,604)</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>130,888</u>	<u>35,003</u>	<u>95,885</u>
Net Position			
Net investment in capital assets	726,254	696,208	30,046
Unrestricted	<u>7,562,765</u>	<u>6,073,757</u>	<u>1,489,008</u>
Total Net Position	<u>\$ 8,289,019</u>	<u>\$ 6,769,965</u>	<u>\$ 1,519,054</u>
Net Position as a Percent of Total			
Net investment in capital assets	8.8 %	10.3 %	
Unrestricted	<u>91.2</u>	<u>89.7</u>	
	<u>100.0 %</u>	<u>100.0 %</u>	

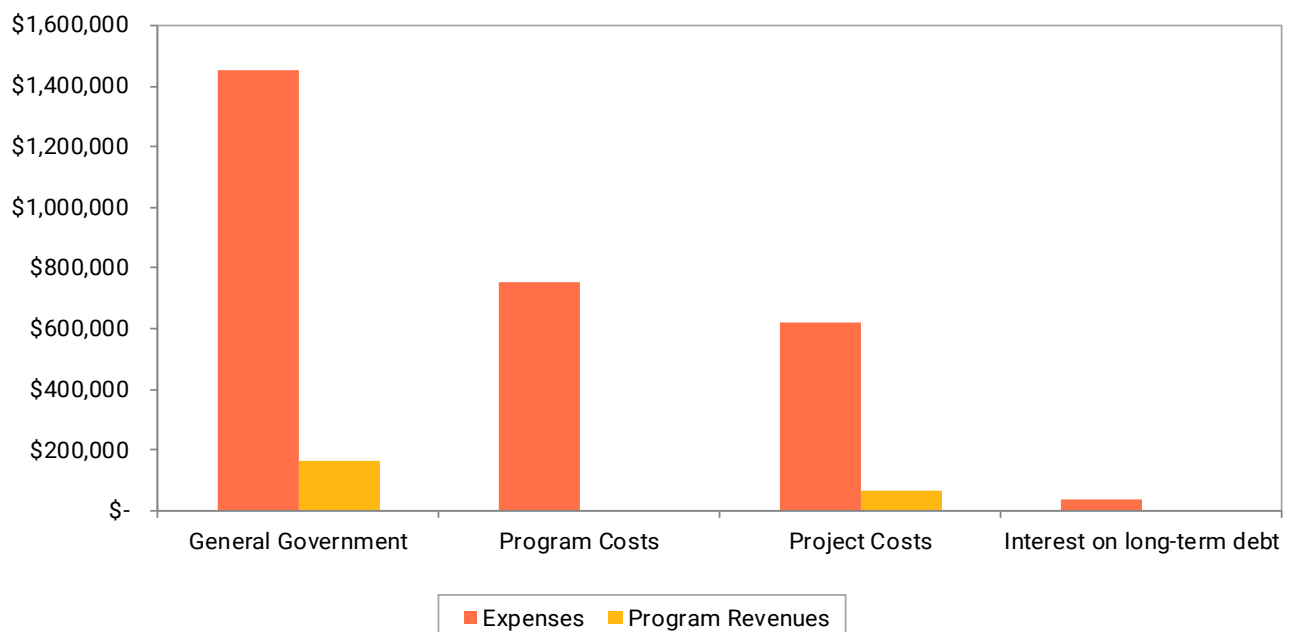
An additional portion of the District's net position represents *unrestricted net position* that may be used to meet the District's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the District is able to report positive balances in both net investment and unrestricted categories of net position.

Governmental Activities. Governmental activities increased the District’s net position as shown below. The increase is mainly due to program and project expense less than then the prior year and increases in property taxes and investment earnings.

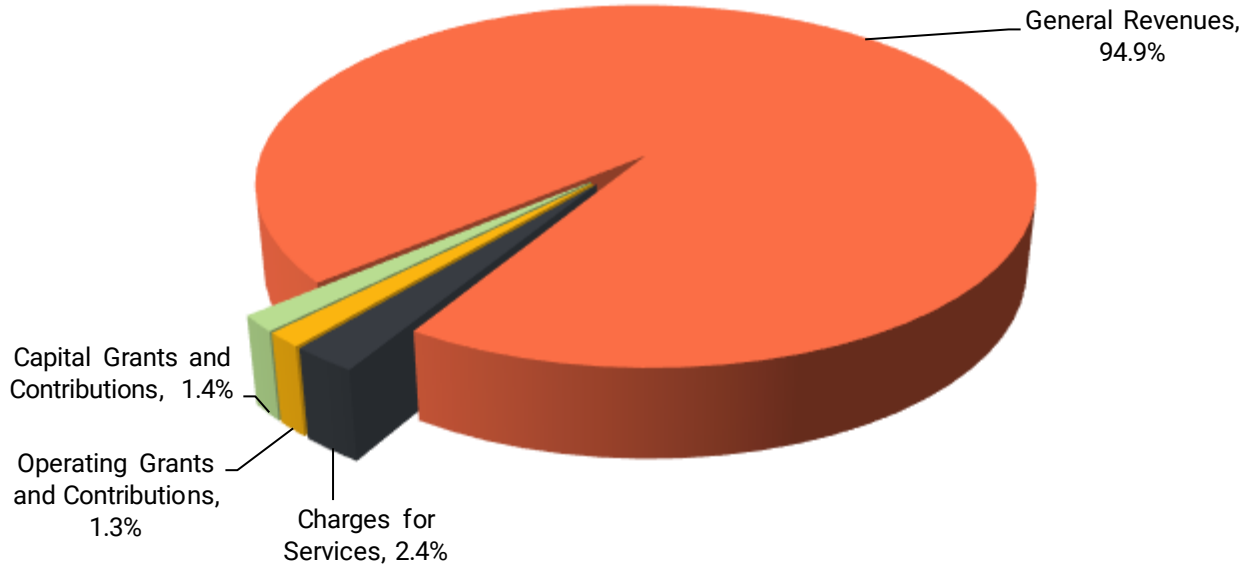
Riley Purgatory Bluff Creek Watershed District’s Changes in Net Position

	December 31,		Increase (Decrease)
	2023	2022	
Revenues			
Program			
Charges for services	\$ 103,114	\$ 121,712	\$ (18,598)
Operating grants and contributions	57,500	287,127	(229,627)
Capital grants and contribution	62,992	-	62,992
General			
Property taxes	3,799,785	3,625,329	174,456
Unrestricted investment earnings	355,569	56,732	298,837
Gants and contributions not restricted	267	3,337	(3,070)
Total Revenues	<u>4,379,227</u>	<u>4,094,237</u>	<u>284,990</u>
Expenses			
General government	1,450,976	1,289,071	161,905
Program costs	754,738	1,022,825	(268,087)
Project costs	618,098	909,948	(291,850)
Interest on long-term debt	36,361	27,159	9,202
Total Expenses	<u>2,860,173</u>	<u>3,249,003</u>	<u>(388,830)</u>
Change in Net Position	1,519,054	845,234	673,820
Net Position, January 1	<u>6,769,965</u>	<u>5,924,731</u>	<u>845,234</u>
Net Position, December 31	<u><u>\$ 8,289,019</u></u>	<u><u>\$ 6,769,965</u></u>	<u><u>\$ 1,519,054</u></u>

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.



Revenues by Source - Governmental Activities



Financial Analysis of the Governmental Fund

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2023

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
509 Implementation Fund Balances			
Nonspendable	\$ 40,683	\$ 54,382	\$ (13,699)
Committed	7,447,192	6,225,031	1,222,161
Assigned	493,403	178,579	314,824
Total 509 Implementation Fund Balance	<u>\$ 7,981,278</u>	<u>\$ 6,457,992</u>	<u>\$ 1,523,286</u>
General Fund expenditures	\$ 2,846,981	\$ 3,160,373	
Total Fund Balance as a percent of expenditures	280.3%	204.3%	

Budgetary Highlights

The 509 Plan Implementation fund is the chief operating fund of the District. At the end of the current year, the fund balance of the fund in relation to the budget is shown below.

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 4,092,711	\$ -	\$ 4,092,711	\$ 4,370,267	\$ 277,556
Expenditures					
Current					
General Government	1,792,011	-	1,792,011	1,399,661	392,350
Programs	1,883,130	(4,830)	1,878,300	671,823	1,206,477
Projects	3,628,828	39,543	3,668,371	595,275	3,073,096
Capital outlay	-	-	-	82,915	(82,915)
Debt service	-	-	-	97,307	(97,307)
Total Expenditures	<u>7,303,969</u>	<u>-</u>	<u>7,338,682</u>	<u>2,846,981</u>	<u>4,491,701</u>
Net Change in Fund Balances	(3,211,258)	(34,713)	(3,245,971)	1,523,286	4,769,257
Fund Balances, January 1	6,457,992	-	6,457,992	6,457,992	-
Fund Balances, December 31	<u>\$ 3,246,734</u>	<u>\$ (34,713)</u>	<u>\$ 3,212,021</u>	<u>\$ 7,981,278</u>	<u>\$ 4,769,257</u>

The District's 509 Plan Implementation fund was amended during the year as shown above. The budget amendment increased expenses relating to project expense and decrease expenses relate to program expenses. Actual revenues were over the final budget and expenditures were under the final budget amounts as shown above.

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2023 (net of accumulated depreciation) is outlined below. This net investment in capital assets includes land, lease building, and equipment, boats, vehicles, and intangibles.

Riley Purgatory Bluff Creek Watershed District's Capital Assets (Net of Depreciation/Amortization)

	December 31,		Increase (Decrease)
	2023	2022	
Land	\$ 627,043	\$ 627,043	\$ -
Leased Building (Intangible Right to Use)	211,729	275,248	(63,519)
Equipment, Boats and Vehicles	97,388	61,313	36,075
Intangibles	8,644	12,100	(3,456)
Total	<u>\$ 944,804</u>	<u>\$ 975,704</u>	<u>\$ (30,900)</u>

Additional information on the District's capital assets can be found in Note 3B on page 43 of this report.

Long-term Debt

The District's outstanding debt consisting of lease payable as of December 31, 2023 is outlined below.

Riley Purgatory Bluff Creek Watershed District's Long-term Debt

	December 31,		Increase (Decrease)
	<u>2023</u>	<u>2022</u>	
Lease Payable	<u>\$ 218,550</u>	<u>\$ 279,496</u>	<u>\$ (60,946)</u>

Economic Factors and Next Year's Budgets

In 2023, the Watershed District levy remained aligned with the proposed budget outlined in the 2018 10-Year Watershed Management Plan. The District's approved budget for 2024 increased by 5.2% as the Upper Riley Ecological Enhancement project was programmed to begin construction. The reserves were accessed to reduce the levy increase.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Riley Purgatory Bluff Creek Watershed District, 18681 Lake Drive East, Chanhassen, MN 55317.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS
RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT
CHANHASSEN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

Riley Purgatory Bluff Creek Watershed District
 Chanhassen, Minnesota
 Statement of Net Position
 December 31, 2023

	<u>Governmental Activities</u>
Assets	
Cash and temporary investments	\$ 8,585,827
Cash with fiscal agent	100,000
Receivables	
Taxes	43,908
Due from other governments	247,047
Prepaid items	40,683
Capital assets	
Nondepreciable assets	627,043
Depreciable assets, net of accumulated depreciation/amortization	317,761
Total Assets	<u>9,962,269</u>
Deferred Outflows of Resources	
Deferred pension resources	<u>103,739</u>
Liabilities	
Accounts payable	102,650
Accrued salaries payable	29,221
Due to other governments	47,320
Deposits payable	830,156
Noncurrent liabilities	
Due within one year	
Long-term liabilities	99,854
Due in more than one year	
Long-term liabilities	195,795
Net pension liability	341,105
Total Liabilities	<u>1,646,101</u>
Deferred Inflows of Resources	
Deferred pension resources	<u>130,888</u>
Net Position	
Net investment in capital assets	726,254
Unrestricted	<u>7,562,765</u>
Total Net Position	<u>\$ 8,289,019</u>

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

Riley Purgatory Bluff Creek Watershed District

Chanhassen, Minnesota

Statement of Activities

For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
General government	\$ 1,450,976	\$ 103,114	\$ 57,500	\$ -	\$ (1,290,362)
Program costs	754,738	-	-	-	(754,738)
Project costs	618,098	-	-	62,992	(555,106)
Interest on long-term debt	36,361	-	-	-	(36,361)
Total	\$ 2,860,173	\$ 103,114	\$ 57,500	\$ 62,992	(2,636,567)
General Revenues					
Property taxes					3,799,785
Unrestricted investment earnings					355,569
Other revenues					267
Total General Revenues					<u>4,155,621</u>
Change in Net Position					1,519,054
Net Position, January 1					<u>6,769,965</u>
Net Position, December 31					<u>\$ 8,289,019</u>

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

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FUND FINANCIAL STATEMENTS
RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT
CHANHASSEN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

Riley Purgatory Bluff Creek Watershed District
Chanassen, Minnesota
Balance Sheet
Governmental Funds
December 31, 2023
(With Comparative Totals for December 31, 2022)

	509 Plan Implementation	
	2023	2022
Assets		
Cash and temporary investments	\$ 8,585,827	\$ 6,915,151
Cash with fiscal agent	100,000	-
Receivables		
Accounts	-	17,046
Taxes	43,908	37,578
Due from other governments	247,047	308,922
Prepaid items	40,683	54,382
Total Assets	\$ 9,017,465	\$ 7,333,079
Liabilities		
Accounts payable	\$ 102,650	\$ 313,515
Accrued salaries payable	29,221	24,057
Due to other governments	47,320	84,310
Deposits payable	830,156	435,283
Total Liabilities	1,009,347	857,165
Deferred Inflows of Resources		
Unavailable revenue - taxes	26,840	17,922
Fund Balances		
Nonspendable for prepaid items	40,683	54,382
Committed for		
Purchase of property	100,000	-
Planning and implementation	7,347,192	6,225,031
Assigned for planning and implementation	493,403	178,579
Total Fund Balances	7,981,278	6,457,992
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 9,017,465	\$ 7,333,079

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

Riley Purgatory Bluff Creek Watershed District
 Chanhassen, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2023
 (With Comparative Totals for December 31, 2022)

	2023	2022
Amounts reported for the governmental activities in the statement of net position are different because		
Total Fund Balances - Governmental	\$ 7,981,278	\$ 6,457,992
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital and leased assets	1,289,020	1,238,015
Less accumulated depreciation/amortization	(344,216)	(262,311)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated absences payable	(77,099)	(60,682)
Lease liability	(218,550)	(279,496)
Net pension liability	(341,105)	(459,362)
Some receivables are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds.		
Taxes receivable	26,840	17,922
Governmental funds do not report long-term amounts related to pensions.		
Deferred outflows of pension resources	103,739	152,890
Deferred inflows of pension resources	(130,888)	(35,003)
Total Net Position - Governmental Activities	\$ 8,289,019	\$ 6,769,965

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

Riley Purgatory Bluff Creek Watershed District
 Chanhassen, Minnesota
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2023
 (With Comparative Totals for the Year Ended December 31, 2022)

	509 Plan Implementation	
	2023	2022
Revenues		
Property taxes	\$ 3,790,867	\$ 3,638,673
Permit income	103,114	121,712
Partner funds	3,000	-
Intergovernmental	117,055	287,193
Interest on investments	355,569	56,732
Miscellaneous	662	1,249
Total Revenues	4,370,267	4,105,559
Expenditures		
Current		
General government	1,399,661	1,172,622
Programs	671,823	1,002,637
Projects	595,275	878,496
Capital outlay		
Programs	82,915	20,188
Debt service		
Principal	60,946	59,271
Interest and other	36,361	27,159
Total Expenditures	2,846,981	3,160,373
Net Change in Fund Balances	1,523,286	945,186
Fund Balances, January 1	6,457,992	5,512,806
Fund Balances, December 31	\$ 7,981,278	\$ 6,457,992

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

Riley Purgatory Bluff Creek Watershed District
 Chanhassen, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2023
 (With Comparative Totals for the Year Ended December 31, 2022)

	2023	2022
Amounts reported for governmental activities in the statement of activities are different because		
Total Net Change in Fund Balances - Governmental Funds	\$ 1,523,286	\$ 945,186
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	51,005	-
Depreciation/amortization expense	(81,905)	(92,134)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities		
Lease repayments	60,946	59,271
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.		
Property taxes	8,918	(13,344)
Long-term pension activity is not reported in governmental funds.		
Pension expense	(26,821)	(42,518)
Pension revenue	42	2,022
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences payable	(16,417)	(13,249)
Change in Net Position - Governmental Activities	\$ 1,519,054	\$ 845,234

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

Riley Purgatory Bluff Creek Watershed District
 Chanhassen, Minnesota
 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 509 Plan Implementation Fund
 For the Year Ended December 31, 2023
 (With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	2022
	Original	Final			
Revenues					
Property taxes	\$ 3,821,711	\$ 3,821,711	\$ 3,790,867	\$ (30,844)	\$ 3,638,673
Permit Income	114,000	114,000	103,114	(10,886)	121,712
Partner funds	100,000	100,000	3,000	(97,000)	-
Intergovernmental	-	-	117,055	117,055	287,193
Interest on investments	57,000	57,000	355,569	298,569	56,732
Miscellaneous	-	-	662	662	1,249
Total Revenues	<u>4,092,711</u>	<u>4,092,711</u>	<u>4,370,267</u>	<u>277,556</u>	<u>4,105,559</u>
Expenditures					
Current					
General government	1,792,011	1,792,011	1,399,661	392,350	1,172,622
Programs	1,883,130	1,878,300	671,823	1,206,477	1,002,637
Projects					
Bluff creek	509,428	509,428	29,176	480,252	153,807
Riley creek	2,101,000	2,140,543	263,733	1,876,810	418,482
Purgatory creek	1,018,400	1,018,400	302,366	716,034	306,207
Capital outlay					
Programs	-	-	82,915	(82,915)	20,188
Debt service					
Principal	-	-	60,946	(60,946)	-
Interest and other	-	-	36,361	(36,361)	86,430
Total Expenditures	<u>7,303,969</u>	<u>7,338,682</u>	<u>2,846,981</u>	<u>4,491,701</u>	<u>3,160,373</u>
Net Change in Fund Balances	(3,211,258)	(3,245,971)	1,523,286	4,769,257	945,186
Fund Balances, January 1	<u>6,457,992</u>	<u>6,457,992</u>	<u>6,457,992</u>	<u>-</u>	<u>5,512,806</u>
Fund Balances, December 31	<u>\$ 3,246,734</u>	<u>\$ 3,212,021</u>	<u>\$ 7,981,278</u>	<u>\$ 4,769,257</u>	<u>\$ 6,457,992</u>

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

Riley Purgatory Bluff Creek Watershed District
Chanhausen, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Riley Purgatory Bluff Creek Watershed District (the District), Chanhausen, Minnesota was originally created in 1969 by the Minnesota Water Resources Board acting under the authority of the Watershed Law. The District is operated by a five-member Board of Managers originally appointed by the Board.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

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. Amounts reported as *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. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the major governmental fund. The major individual governmental fund is reported as separate a column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of 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 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charges for service, assessments to members, grants and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the organization.

Riley Purgatory Bluff Creek Watershed District
Chanhausen, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on an accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlement and donations. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The District reports the following major governmental fund:

The *509 Plan Implementation Fund* - Notwithstanding chapter 103D, a local government unit or watershed management organization may levy a tax to pay the increased costs of preparing a plan under sections 103B.231 and 103B.235 or for projects identified in an approved and adopted plan necessary to implement the purposes of section 103B.20 1. The proceeds of any tax levied under this section shall be deposited in a separate fund and expended only for the purposes authorized by this section. Watershed management organizations and local government units may accumulate the proceeds of levies as an alternative to issuing bonds to finance improvements.

D. Assets, Deferred Outflows of Resources, liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The District's cash and temporary investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances are pooled and invested, to the extent available, in certificates of deposit and other authorized investments.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

Riley Purgatory Bluff Creek Watershed District
Chanassen, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The broker money market accounts operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares. The District does not have a formal investment policy.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements are listed in detail on page 40 and are valued using quoted market prices.

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Property Taxes

The Board of Managers annually adopts a tax levy and certifies it to the County in December of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the District, the local School District, and other taxing authorities. Such taxes become a line on January 1st and are recorded as receivables by the District on that date. Real property taxes are payable (by property owners) on May 15th and October 15th of each calendar year. The District has no ability to enforce payments of property taxes by property owners. The County possesses this authority.

Delinquent taxes receivable includes the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the fund financial statements.

Riley Purgatory Bluff Creek Watershed District
 Chanhausen, Minnesota
 Notes to the Financial Statements
 December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, land improvements and easements are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

GASB Statement No. 34 required the District to report and depreciate new infrastructure assets effective with the beginning of the 2004 calendar year. Infrastructure assets include lake improvements, dams and drainage systems. Neither their historical cost nor related depreciation had historically been reported in the financial statements. For governmental entities with total annual revenues of less than \$10 million for the fiscal year ended December 31, 1999 the retroactive reporting of infrastructure is not required under the provisions of GASB Statement No. 34. The District implemented the general provisions of GASB Statement No. 34 in the 2004 calendar year and has elected not to report infrastructure assets acquired in years prior to 2004. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Building	30
Equipment, Boats and Vehicles	7 - 10
Intangibles	10

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Riley Purgatory Bluff Creek Watershed District
 Chanhassen, Minnesota
 Notes to the Financial Statements
 December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30th. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the General Employee Plan (GERP) is as follows:

	GERF
District's proportionate share	\$ 67,833
Proportionate share of State's contribution	43
Total pension expense	\$ 67,875

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits, which is paid to the employee upon separation. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The 509 Plan Implementation fund is typically used to liquidate governmental compensated absences payable.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payables are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred. The District has no bonds outstanding for the year ended December 31, 2023

Deferred Inflows of Resources

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

The District has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Riley Purgatory Bluff Creek Watershed District
Chanhausen, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, 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 reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board, which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The district strives to maintain an unassigned fund balance of an amount not less than 50 percent of next year's budgeted expenditures for working capital.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation/amortization reduced by any outstanding debt attributable to acquire the capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "investment in capital assets".

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

Riley Purgatory Bluff Creek Watershed District
Chanhausen, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

The Board of Managers adopts an annual budget for the 509 Plan Implementation fund of the District on an annual basis. During the budget year, supplemental appropriations and deletions are or may be authorized by the Board. The modified accrual basis of accounting is used by the District for budgeting data. All appropriations end with the fiscal year for which they were made. The District does not use encumbrance accounting.

The District monitors budget performance on the fund basis. All amounts over budget have been approved by the Board through the disbursement process. The budget was amended in 2023.

Note 3: Detailed Notes on Accounts

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned, or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the District Council, the District maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds.
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity.
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service.
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity.
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

At year end, the District's has no deposits.

Riley Purgatory Bluff Creek Watershed District
 Chanhassen, Minnesota
 Notes to the Financial Statements
 December 31, 2023

Note 3: Detailed Notes on Accounts (Continued)

Investments

The investments of the District are subject to the following risks:

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. The District follows State Statutes in regard to credit risk of investments. The District policy does not further limit investment choices. All of the District's investments were covered by FDIC insurance, see Custodial Credit Risk below.
- *Custodial Credit Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk*. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount that may be invested in any one issuer. Most of the investments held by the District are over the 5% credit concentration threshold. The District does not have a policy limiting concentration in one issuer.
- *Interest Rate Risk*. This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have an investment policy to address interest rate risk.

At year end, the District's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount
Pooled Investments at Amortized Costs			
4M Fund	N/A	less than 6 months	<u>\$ 8,585,827</u>

(1) Ratings are provided by Moody's where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

Riley Purgatory Bluff Creek Watershed District
Chanassen, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on Accounts (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 627,043	\$ -	\$ -	\$ 627,043
Capital Assets Being Depreciated/Amortized				
Equipment, boats, vehicles	237,634	51,005	-	288,639
Leased building (intangible right to use)	338,767	-	-	338,767
Intangibles	34,571	-	-	34,571
Total Capital Assets Being Depreciated/Amortized	<u>610,972</u>	<u>51,005</u>	<u>-</u>	<u>661,977</u>
Less Accumulated Depreciation/Amortization for				
Equipment, boats and vehicles	(176,321)	(14,930)	-	(191,251)
Leased building (intangible right to use)	(63,519)	(63,519)	-	(127,038)
Intangibles	(22,471)	(3,456)	-	(25,927)
Total Accumulated Depreciation/Amortization	<u>(262,311)</u>	<u>(81,905)</u>	<u>-</u>	<u>(344,216)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>348,661</u>	<u>(30,900)</u>	<u>-</u>	<u>317,761</u>
Governmental Activities Capital Assets, Net	<u>\$ 975,704</u>	<u>\$ (30,900)</u>	<u>\$ -</u>	<u>\$ 944,804</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities		
General Government		\$ 68,190
Projects		<u>13,715</u>
Total Depreciation/Amortization Expense		<u>\$ 81,905</u>

C. Lease Liability

The District entered into an operating lease agreement for building space on January 10, 2017 with CSM Investors Inc. The agreement term is 122 calendar months beginning on March 1, 2017. The lease has base monthly payments that increase from year to year. The District will have the option to extend the lease and additional 5 years when the current lease expires in April of 2027. Further information is listed below.

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
Office Space	\$ 338,767	1.30 %	03/01/17	10 years	variable	<u>\$ 218,550</u>

Riley Purgatory Bluff Creek Watershed District
Chanassen, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on Accounts (Continued)

Future lease payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 63,026	\$ 2,468	\$ 65,494
2025	65,185	1,636	66,821
2026	67,384	775	68,159
2027	22,955	62	23,017
Total	<u>\$ 218,550</u>	<u>\$ 4,941</u>	<u>\$ 223,491</u>

D. Long-term Debt

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Lease Payable	\$ 279,496	\$ -	\$ (60,946)	\$ 218,550	\$ 63,026
Compensated Absences Payable	60,682	57,297	(40,880)	77,099	36,828
Total Governmental Activities	<u>\$ 340,178</u>	<u>\$ 57,297</u>	<u>\$ (101,826)</u>	<u>\$ 295,649</u>	<u>\$ 99,854</u>

Riley Purgatory Bluff Creek Watershed District
Chanhassen, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

All full-time and certain part-time employees of 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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 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 years ending December 31, 2023, 2022 and 2021 were \$41,054, \$34,146 and \$33,167, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

Riley Purgatory Bluff Creek Watershed District
 Chanhassen, Minnesota
 Notes to the Financial Statements
 December 31, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2023, the District reported a liability of \$341,105 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$9,451. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0061 percent at the end of the measurement period and 0.0058 percent for the beginning of the period.

District Proportionate Share of the Net Pension Liability	\$ 341,105
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the District	<u>9,451</u>
Total	<u><u>\$ 350,556</u></u>

For the year ended December 31, 2023, the District recognized pension expense of \$67,833 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$42 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2023, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 11,070	\$ 2,504
Changes in Actuarial Assumptions	58,589	93,494
Net Difference Between Projected and Actual Investment Earnings	-	27,417
Changes in Proportion	11,880	7,473
Contributions Paid to PERA Subsequent to the Measurement Date	<u>22,200</u>	<u>-</u>
Total	<u><u>\$ 103,739</u></u>	<u><u>\$ 130,888</u></u>

Riley Purgatory Bluff Creek Watershed District
 Chanhassen, Minnesota
 Notes to the Financial Statements
 December 31, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The \$22,200 reported as deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024		\$	3,722
2025			(51,487)
2026			5,815
2027			(7,399)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

F. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA’s experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

Riley Purgatory Bluff Creek Watershed District
 Chanhassen, Minnesota
 Notes to the Financial Statements
 December 31, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	\$ 603,442	\$ 341,105	\$ 125,323

I. Pension Plan Fiduciary Net Position

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

Riley Purgatory Bluff Creek Watershed District
Chanhasen, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 5: Other Information

Risk Management

The District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries insurance. The District pays annual premiums for its workers compensation and property and casualty insurance. Settled claims have not exceeded the District's coverage in any of the past three fiscal years.

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

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REQUIRED SUPPLEMENTARY INFORMATION
RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT
CHANHASSEN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

Riley Purgatory Bluff Creek Watershed District
 Chanhassen, Minnesota
 Required Supplementary Information
 December 31, 2023

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/23	0.0061 %	\$ 341,105	\$ 9,451	\$ 350,556	\$ 487,037	70.0 %	83.1 %
06/30/22	0.0058	459,362	13,535	472,897	436,059	105.3	76.7
06/30/21	0.0065	277,579	8,352	285,931	464,131	59.8	87.0
06/30/20	0.0060	359,727	11,120	370,847	426,004	84.4	79.0
06/30/19	0.0055	304,083	9,500	313,583	360,608	84.3	80.2
06/30/18	0.0047	260,737	8,633	269,370	316,977	82.3	79.5
06/30/17	0.0034	217,054	2,731	219,785	220,465	98.5	75.9
06/30/16	0.0028	227,346	2,931	230,277	172,425	131.9	68.9
06/30/15	0.0021	98,647	-	98,647	803,650	12.3	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/23	\$ 41,054	\$ 41,054	\$ -	\$ 547,389	7.5 %
12/31/22	34,146	34,146	-	455,283	7.5
12/31/21	33,167	33,167	-	442,226	7.5
12/31/20	33,599	33,599	-	447,990	7.5
12/31/19	31,326	31,326	-	417,681	7.5
12/31/18	23,840	23,840	-	317,869	7.5
12/31/17	21,160	21,160	-	282,139	7.5
12/31/16	13,813	13,813	-	184,176	7.5
12/31/15	12,742	12,742	-	169,893	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Riley Purgatory Bluff Creek Watershed District
Chanhassen, Minnesota
Required Supplementary Information (Continued)
December 31, 2023

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2023 - The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Riley Purgatory Bluff Creek Watershed District
Chanhausen, Minnesota
Required Supplementary Information (Continued)
December 31, 2023

Notes to the Required Supplementary Information - General Employees Fund (Continued)

Changes in Plan Provisions

2023 - An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024, was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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

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

2016 - There were no changes in plan provisions since the previous valuation.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

OTHER REQUIRED REPORTS

RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT
CHANHASSEN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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

Board of Managers
Riley Purgatory Bluff Creek Watershed District
Chanhassen, 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 major fund of the Riley Purgatory Bluff Creek Watershed District (the District), Chanhassen, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements and have issued our report thereon dated June 25, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, 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 Minn. Stat. § 6.65, as described in the Schedule of Finding and Response as item 2023-001. 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 the District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Abdo
Minneapolis, Minnesota
June 25, 2024

Riley Purgatory Bluff Creek Watershed District
Chanhasen, Minnesota
Schedule of Finding and Response
For the Year Ended December 31, 2023

<u>Finding</u>	<u>Description</u>
2023-001	Time Period for Payment
<i>Condition:</i>	Auditing for legal compliance requires a review of the District's payment of claims. Our audit indicated five instances of non-compliance of invoices paid outside of 35 days out of our sample size of twenty-five.
<i>Criteria:</i>	Minnesota statute section 471.425 requires that the District pay bills within 35 days from receipt. If the invoice is not paid within 35 days, interest at 1.5 percent per month is to be added to amount due.
<i>Cause:</i>	This was due to invoices submitted and received after the internal cutoff date.
<i>Effect:</i>	The District is out of compliance with this statute.
<i>Recommendation:</i>	We recommend that the District develop policies and procedures related to the accounts payable cycle. These policies and procedures should include payment terms that are outlined within State statutes. We also recommend purchasing a date stamp to document when all invoices are received at the District. Implementing this recommendation will not result in any additional cost to the District.

Management Response:

The District's Board of Managers has adopted the auditor's recommendation that the District date stamp each invoice when it is received by the District in order to substantiate the beginning of the 35-day period. In addition, because the Board of Managers generally only meets once per month, the Board of Managers has adopted a policy that all contracts must include, and all vendors must agree to allow the District not less than 60 day after receipt of an invoice to process and pay such invoice as allowed by Minnesota statute section 471.425. Notwithstanding the foregoing, the District intends to process and pay all invoices as expeditiously as possible.