

**LOWER RUM RIVER
WATERSHED MANAGEMENT
ORGANIZATION**

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2024

Prepared by the Deputy Treasurer

Lori Yager

**LOWER RUM RIVER WATERSHED MANAGEMENT
ORGANIZATION**

Annual Financial Report

Year Ended December 31, 2024

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Lower Rum River Watershed Management Organization Board

Appointed Officials

December 31, 2024

Debra Musgrove, Chair

Valerie Holthus, Vice Chair

Jeff Weaver, Secretary and
Treasurer

Administrative

Carla Wirth, Time Savers
Lori Yager, RTY Consulting

Administrative Secretary
Deputy Treasurer

BRIAN D. KOEHN, CPA, PLLC



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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Honorable Chair and Organization Board
Lower Rum River Watershed Management Organization

I have performed the procedures enumerated in the Financial Accounts and Compliance sections below for the year ended December 31, 2024. Lower Rum River Watershed Management Organization's management is responsible for the financial accounts and for the Organization's compliance with Minnesota Statutes.

Lower Rum River Watershed Management Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purposes of assisting Lower Rum River Watershed Management Organization and the Office of the State Auditor in evaluating the financial accounts of Lower Rum River Watershed Management Organization and Lower Rum River Watershed Management Organization's compliance with applicable sections of the 2023 *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and other matters for the year ended December 31, 2024. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Financial Accounts

My procedures and findings regarding financial matters are as follows:

1. I obtained and read the minutes of the meetings of the Board of Lower Rum River Watershed Management Organization for the year ended December 31, 2024, to determine if the minutes are adequately prepared and signed by the preparer and approved and signed by the Board by the subsequent monthly meeting. I also identified any board actions that could impact the other procedures.

I found the Organization did not have a board member sign the minutes at a subsequent meeting. The Organization also did not designate the official depository used during 2024.

The Organization did not include the following items in the minutes:

- Type of meeting (regular, special, etc);
- Type of group meeting (i.e. governing board); and
- Reasons for abstentions.

The Organization was inconsistent with having the roll call vote on motions when there were abstentions.

Honorable Chair and Organization Board
Lower Rum River Watershed Management Organization

2. I inquired of Lower Rum River Watershed Management Organization's management about whether they have assessed whether the Organization's internal controls are adequate enough to prevent or detect errors or fraud or that internal controls are in place to mitigate the risk. There was no documentation to review.

The Board has not completed documentation of its internal control procedures and its risk assessment of internal controls.

3. I inquired about the procedures and observed the records used to account for the Organization's receipts and disbursements.

I determined such procedures and records are adequate for reporting the receipt and disbursement activities of Lower Rum River Watershed Management Organization.

4. I obtained and reviewed the bank account reconciliations for each month to determine that they are being performed in a timely manner and that all bank and investment statements for the fiscal year are complete and on-hand. I also reviewed the monthly bank reconciliations for each month during 2024 to determine whether they had been reviewed and signed off by a Board member.

The bank statements are complete and on hand. The bank account reconciliations were performed and reviewed by the board in a timely manner, but they are not being signed off by a board member for the year ended December 31, 2024.

5. I mathematically recomputed two bank reconciliations and compared the resultant cash balances per bank to the respective general ledger account balances.

No exceptions were found as a result of applying this procedure.

6. I randomly selected a sample of five disbursements to trace the source document to the disbursements in the general ledger. I determined that the source or payee, amount, check number, purpose or description, date, and account code agree to source documents and records.

No exceptions were found as a result of applying this procedure.

7. I inquired of management of how receipts are tracked to determine if receipts journal is complete. I agreed total collections reflected in the receipts register to cash deposits shown on the bank statement for the month of April 2024.

No exceptions were found as a result of applying this procedure.

Honorable Chair and Organization Board
Lower Rum River Watershed Management Organization

8. I confirmed all checking accounts money market accounts on the general ledger as of December 31, 2024, with financial institutions.

No exceptions were found as a result of applying this procedure.

9. I verified with Anoka County the amount of property tax receipts distributed to Lower Rum River Watershed Management Organization for the year ended December 31, 2024.

Property tax receipts verified by the County were zero and this agrees with Lower Rum River Watershed Management Organization's records.

10. I determined that Lower Rum River Watershed Management Organization had non-routine journal entries, such as adjustments or reclassifications, posted to the general ledger. I reviewed significant items for the following attributes: (a) journal entries are reasonable and have supporting documentation; and (b) the organization has procedures that require journal entries to be reviewed, and there is evidence the reviews are being performed.

The journal entries are reasonable and have supporting documentation, but the organization does not have procedures that require journal entries to be reviewed, and the entries are not.

11. I determined whether there are no payroll records on hand for Lower Rum River Watershed Management Organization as the organization does not have wages paid to employees. The Organization does not compensate its Board and utilizes paid consulting firms for secretarial, accounting, and engineering services.

No exceptions were found as a result of applying this procedure.

12. There were no quarterly payroll reports on salary withholdings filed or necessary to be filed with the state and federal governments.

No exceptions were found as a result of applying this procedure.

13. I inquired and determined if adequate records are kept for land, buildings, and equipment owned by Lower Rum River Watershed Management Organization.

Lower Rum River Watershed Management Organization does not have capital asset records owned by the Organization with an estimated market value, historical cost, or acquisition dates.

14. I inquired and determined if Lower Rum River Watershed Management Organization had outstanding debt and, if appropriate, agreed the scheduled payments to disbursements reflected in the monthly bank statement.

The Organization has no outstanding debt, and no payments were made during the year ended December 31, 2024.

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Compliance

My procedures and findings regarding compliance matters are as follows:

1. I obtained Lower Rum River Watershed Management Organization's current filing of its annual reporting form to the Office of the State Auditor from the organization and determined whether the amounts reported reflect the amounts recorded in Lower Rum River Watershed Management Organization's records.

No exceptions were found as a result of applying this procedure.

2. I completed the following checklists of the *2023 Minnesota Legal Compliance Audit Guide for Political Subdivisions* for Lower Rum River Watershed Management Organization:

- (a) Depositories of Public Funds and Public Investments

No exceptions were found as a result of applying the checklist procedures except the depository used by the Organization were not designated by the Board.

- (b) Conflicts of Interest

No exceptions were found as a result of applying the checklist procedures.

- (c) Public Indebtedness

No exceptions were found as a result of applying the checklist procedures.

- (d) Contracting - Bid Laws

No exceptions were found as a result of applying the checklist procedures.

- (e) Claims and Disbursements

The following exceptions were noted:

No exceptions were found as a result of applying the checklist procedures.

- (f) Local Government Miscellaneous Provisions

No exceptions were found as a result of applying the checklist procedures, except the organization has not adopted an out of state travel policy.

- (g) Tax Increment Financing

No exceptions were found as a result of applying the checklist procedures as the Organization does not utilize Tax Increment Financing, currently.

Honorable Chair and Organization Board
Lower Rum River Watershed Management Organization

3. I inquired of Lower Rum River Watershed Management Organization of any instances (regardless of materiality) indicating any fraud, illegal acts, or noncompliance, and whether they have been reported to the Office of the State Auditor.

Lower Rum River Watershed Management Organization informed me that there was no fraud, illegal acts, or noncompliance noted, and none had been reported to the Minnesota Office of the State Auditor.

* * * * *

I was engaged by Lower Rum River Watershed Management Organization on January 8, 2025 to perform this agreed-upon procedures engagement and conducted my engagement in accordance with attestation standards established by the AICPA. I was not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial accounts and compliance with Minnesota Statutes. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

I am required to be independent of Lower Rum River Watershed Management Organization and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my agreed-upon procedures engagement.

This report is intended solely for the information and use of Lower Rum River Watershed Management Organization and Office of the State Auditor, and is not intended to be, and should not be, used by anyone other than these specified parties.



Brian D. Koehn, CPA, PLLC
Parkers Prairie, Minnesota
March 13, 2025

LOWER RUM RIVER WATERSHED MANAGEMENT ORGANIZATION
STATEMENT OF NET POSITION
DECEMBER 31, 2024

Assets	
Current assets:	
Cash and investments	\$ 181,692
Accounts Receivable	10,274
Prepaid	0
	0
Total assets	\$ 191,966
 Liabilities	
Current liabilities:	
Accounts payable	\$ 18,366
Deposits	39,637
	58,003
Total current liabilities	58,003
 Net Position	
Unrestricted	133,963
Total liabilities and net position	\$ 191,966

See accompanying notes to financial statements.

LOWER RUM RIVER WATERSHED MANAGEMENT ORGANIZATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2024

	Original and Final Budget	Actual	Variance From Budget Positive (Negative)
Operating revenues:			
Assessments from participating cities	\$ 100,000	\$ 100,000	\$ -
Permits:			
Service fees	3,000	6,600	3,600
Engineering fees	36,000	66,752	30,752
Intergovernmental	1,500	886	(614)
Miscellaneous	-	171	171
Total operating revenues	140,500	174,409	33,909
Operating expenses:			
Engineering fees:			
Permits	39,000	66,752	(27,752)
Administrative	13,500	20,869	(7,369)
Legal and professional fees	27,000	22,934	4,066
Insurance	2,800	2,609	191
Secretarial services and supplies	10,800	10,371	429
Projects	42,515	41,765	750
Other	4,385	1,214	3,171
Total operating expenses	140,000	166,514	(26,514)
Operating income	500	7,895	7,395
Nonoperating revenues:			
Interest income	2,500	9,108	6,608
Change in net position	\$ 3,000	17,003	\$ 14,003
Net position at beginning of year		116,960	
Net position at end of year		\$ 133,963	

See accompanying notes to financial statements.

LOWER RUM RIVER WATERSHED MANAGEMENT ORGANIZATION

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2024

Increase (decrease) in cash and cash investments:

Cash flows from operating activities:

Received from member cities	\$ 100,000
Received from customers	70,938
Received from other governments	886
Payments to suppliers for goods and services	<u>(156,995)</u>

Net cash provided by operating activities	<u>14,829</u>
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Cash flows from investing activities:

Investment earnings	<u>9,108</u>
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Net increase in cash and investments	23,937
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Cash and investments at beginning of year	<u>157,755</u>
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Cash and investments at end of year	<u><u>\$ 181,692</u></u>
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Reconciliation of operating income
to net cash provided by
operating activities:

Operating income	\$ 7,895
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Changes in operating assets and liabilities:

Accounts receivable	(1,205)
Accounts payable	9,519
Deposits	<u>(1,380)</u>
Total adjustments	<u>6,934</u>

Net cash provided by operating activities	<u><u>\$ 14,829</u></u>
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See accompanying notes to financial statements.

LOWER RUM RIVER WATERSHED MANAGEMENT ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

1. NATURE OF THE ORGANIZATION

Lower Rum River Watershed Management Organization (the “Organization”) is a watershed management organization that has been created to fulfill the requirements and purposes of Minnesota Statutes 103B.201 to 103B.251. The purpose of such an organization as defined by Minnesota Statute 103B.201 is to “Protect, preserve and use natural surface and ground water storage and retention systems in order to (a) reduce to the greatest practical extent the public capital expenditures necessary to control excessive volumes and rate of runoff, (b) protect and improve surface and ground water quality, (c) prevent flooding and erosion from surface flows, (d) promote ground water recharge, (e) protect and enhance fish and wildlife habitat and water recreational facilities, and (f) secure the other benefits associated with the proper management of surface and ground water.”

The cities of Andover, Anoka, Coon Rapids, and Ramsey formed the Organization by executing a joint powers agreement in accordance with Minnesota Statute 103B.211, dated July 15, 1985. In July 2014 the joint powers agreement was amended removing Coon Rapids. Coon Rapids joined the Coon Creek Watershed District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of significant accounting policies is presented to assist the reader in understanding the Organization’s financial statements. The financial statements are representations of the Organization’s Board, which is responsible for the integrity and objectivity of the financial statements. The following is a summary of the more significant accounting policies:

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenue of the Organization is charges to customers for permits. Operating expenses for the Organization include engineering services, administrative expenses, and related river, stream, and wetland monitoring, conservation, and compliance expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

LOWER RUM RIVER WATERSHED MANAGEMENT ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Cash and Cash Equivalents

Cash balances are invested to the maximum extent possible. For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be “cash equivalents.”

C. Investments

Investments are reported at fair value.

D. Income Taxes

As a joint powers watershed management organization, the Organization is exempt from both federal and Minnesota income taxes. Accordingly, no provision for income taxes is included in these financial statements.

E. Receivables and Payables

Receivables represent outstanding reimbursements from permit holders for work already completed and paid for by the Organization. Payables are recorded for services completed for the Organization but unpaid as of the end of the current fiscal year. Deposits represent amounts owed to permit holders at year-end for services yet to be done.

F. Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the accrual basis of accounting, which is the same basis of accounting the Organization uses in preparation of its financial statements. The budgeted amounts presented include any amendments made.

G. Use of Estimates

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

LOWER RUM RIVER WATERSHED MANAGEMENT ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

3. CASH AND INVESTMENTS

The Organization follows state statute guidelines for investment purposes. The state statute allows for investments in United States securities, state and local government general obligation securities rated “A” or better by a national bond rating agency, state and local government revenue securities rated “AA” or better by a national bond rating agency, commercial paper rated in the highest quality category by two national rating agencies and that mature in 270 days or less, certificates of deposit, bankers acceptance, and repurchase agreements.

The Organization is invested in the Minnesota Municipal Money Market Fund (4M Fund). The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The City’s investment in the 4M Fund is measured at the net asset value per share provided by the pool, which is based on amortized cost method that approximates fair value.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The Organization does not have a formal investment policy related to interest rate risk. As of December 31, 2024, the Organization had the following investments and maturities:

Investment type:	<u>Net Asset Value</u>	<u>Less Than One Year</u>
External investment pool	\$ 181,692	\$181,692

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor’s and Moody’s.

The following table lists the credit quality ratings, per Moody’s and/or Standard & Poor’s, of the Organization’s investments as of December 31, 2024:

LOWER RUM RIVER WATERSHED MANAGEMENT ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

3. CASH AND INVESTMENTS

(b) Credit Risk (Continued)

Investment type:	<u>Net Asset Value</u>	<u>Unrated</u>
External investment pool	\$ 181,692	\$181,692

(c) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the Organization will not be able to recover the value of the investments, collateral securities, or deposits that are in the possession of the counterparty. The Organization does not have a formal policy related to custodial credit risk of investments or deposits. At December 31, 2024, all of the Organization's investments are insured and registered and are held by the counterparty's agent in the Organization's name.

4. REVENUES

Assessments From Participating Cities:

Member cities are assessed on an annual basis for estimated Organization costs by motion of the Organization's governing board. Administrative and planning costs are apportioned by a formula, taking into account both valuation and gross area equally. Projects and improvement costs are charged to the benefiting properties by a formula adopted by the Organization's governing board. Member city assessments for administrative and planning costs were as follows:

Year Ended December 31, 2024

Andover	\$ 27,886
Anoka	21,118
Ramsey	<u>50,996</u>
	<u>\$100,000</u>

Permits:

The Organization issues permits for construction to cover the costs associated with the review of grading, drainage, and erosion control plans of the projects to improve overall water quality. The Organization earns \$150 for administrative costs for each permit it processes. A deposit is received upon application of the permit. The deposit is used to cover the administration costs and all professional services incurred to complete the permit process. Any remaining deposit excess is refunded upon issuance of the permit.

LOWER RUM RIVER WATERSHED MANAGEMENT ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

5. RISK MANAGEMENT

The Organization participates in a public entity risk pool to mitigate its exposure to these risks. Liability coverages are provided through a pooled self-insurance plan with other cities. The Organization has a \$250 deductible per occurrence for its coverage.