

**VADNAIS LAKE AREA WATER
MANAGEMENT ORGANIZATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2024



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INTRODUCTORY SECTION

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
BOARD OF DIRECTORS AND APPOINTED OFFICIALS
YEAR ENDED DECEMBER 31, 2024**

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>	<u>Member City</u>
Jim Lindner	Chairperson	Gem Lake
Katherine Doll Kanne	Treasurer/Secretary	Vadnais Heights
Andrea West	Board Member	White Bear Lake
Rob Rafferty	Board Member	Lino Lakes
Ed Prudhon	Board Member	White Bear Township
Grover Sayre	Board Member	North Oaks

TECHNICAL COMMISSION

<u>Name</u>	<u>Title</u>	<u>Member City</u>
Gloria Tessier	Chairperson	Gem Lake
Nick Ousky	Vice-Chair	Vadnais Heights
Susan Miller	Treasurer	North Oaks
Terry Huntrods	Commissioner	White Bear Lake
Andy Nelson	Commissioner	Lino Lakes
Jami Philip	Commissioner	White Bear Township

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Vadnais Lake Area Water Management Organization
Vadnais Heights, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Vadnais Lake Area Water Management Organization (VLAWMO), which comprise the statement of balances arising from cash transactions of the General Fund as of December 31, 2024, and the statement of cash receipts, disbursements, changes in cash fund balances of the General Fund for the year then ended, and the related notes to the financial statements, which collectively comprise the VLAWMO's financial statements as listed in the table of contents.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the balances arising from cash transactions of the General Fund of VLAWMO as of December 31, 2024, and the respective cash receipts, disbursements, and changes in cash fund balances of the General Fund for the year then ended in accordance with the financial reporting provisions of the Minnesota Office of the State Auditor described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the General Fund of the VLAWMO as of December 31, 2024, or its changes in cash fund balance for the year then ended.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the VLAWMO, 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the VLAWMO on the basis of the financial reporting provisions of the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Minnesota Office of the State Auditor. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 7 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Office of the State Auditor, as described in Note 1, to meet the requirements of the Minnesota Office of the State Auditor. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VLAWMO'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 VLAWMO'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the VLAWMO regulatory basis financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated in all material respects, in relation to the regulatory basis financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, schedule of accounts receivable, and schedule of accounts payable, but does not include the basic financial statements and our auditors' 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2025, on our consideration of the VLAWMO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the VLAWMO's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VLAWMO's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 20, 2025

FINANCIAL STATEMENTS

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GENERAL FUND
DECEMBER 31, 2024**

ASSETS

Cash and Temporary Investments	<u>\$ 1,568,357</u>
Total Assets	<u><u>\$ 1,568,357</u></u>

CASH FUND BALANCES

Committed	\$ 1,361,504
Unassigned	<u>206,853</u>
Total Cash Fund Balances	<u><u>\$ 1,568,357</u></u>

See accompanying Notes to Financial Statements.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2024**

RECEIPTS

Charges for Services	\$ 1,157,700
Intergovernmental Grants	61,478
Interest on Investments	72,307
Miscellaneous	173,579
Total Revenues	<u>1,465,064</u>

DISBURSEMENTS

Current:	
General and Administrative	676,124
Programs	125,907
Projects	503,991
Debt Service	38,569
Total Expenditures	<u>1,344,591</u>

NET CHANGE IN CASH FUND BALANCES	120,473
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Fund Balances - January 1	1,313,236
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Changes in Fund Balance for Change in Accounting Method - See Note 7	<u>134,648</u>
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Cash Fund Balances - January 1, Adjusted	<u>1,447,884</u>
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CASH FUND BALANCES - DECEMBER 31	<u><u>\$ 1,568,357</u></u>
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**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Vadnais Lake Area Water Management Organization (VLAWMO, Organization), Vadnais Heights, Minnesota, was established to meet the requirements of the Metropolitan Surface Water Management the Act, re-codified as Minnesota Statutes, Chapters 103-b and 103-d.

The general purpose of the Organization is to establish a jointly and cooperatively developed water management plan and program to (1) protect, preserve, and use natural surface and ground water storage and retention systems; (2) minimize capital expenditures necessary to correct flooding and water quality problems; (3) identify and plan for means to effectively protect and improve surface and groundwater quality; (4) establish more uniform local policies and official controls for surface water, wetland and groundwater management; (5) prevent erosion of soil into surface water systems; (6) promote groundwater recharge; (7) protect and enhance fish and wildlife habitat and water recreational facilities; and (8) secure other benefits associated with the proper management of surface ground water, and be in accordance with the Act.

The Organization is governed by a board of directors which consists of six members, one from each of the following governmental units: City of North Oaks, City of White Bear Lake, City of Lino Lakes, White Bear Township, City of Vadnais Heights, and City of Gem Lake. The board of directors exercises legislative authority and determines all matters of policy. The board of directors appoints personnel responsible for the proper administration of all affairs relating to the Organization's activities.

The Organization 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 Organization are such that exclusion would cause the Organization'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 Organization has no component units that meet the GASB criteria.

General Fund Financial Statements

The General Fund is the sole fund of the VLAWMO, and records all activities of the Organization.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Basis of Presentation

The Vadnais Lake Area Water Management Organization follows the cash basis of accounting for the General Fund. The statements of cash receipts and disbursements were prepared on the cash basis and, accordingly, revenues and expenditures are recognized only as cash is received or paid out. These statements do not give effect to receivables, payables, accrued expenses, or inventories and, accordingly, are not presented in accordance with generally accepted accounting principles. These procedures are in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Office of the State Auditor under Minnesota Statute §6.756.

The Organization reports the following major governmental fund:

The *General Fund* is the Organization's primary operating fund. It accounts for all financial resources of the Organization.

Assets and Cash Fund Balance

Deposits and Investments

The Organization'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. Investments are reported at fair value.

The Organization 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 13 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.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. 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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets and Cash Fund Balance (Continued)

Deposits and Investments (Continued)

7. 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.
8. 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 Minnesota Municipal Money Market (4M) fund operates in accordance with appropriate state laws and regulations. The 4M fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool shares. Financial statements of the 4M fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Restricted Assets

Certain assets of the Organization are set aside for repayment of individual property owners once they meet specific criteria.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets and Cash Fund Balance (Continued)

Fund Balance

In the General Fund financial statements, cash fund balance is divided into five classifications based primarily on the extent to which the Organization is bound to observe constraints imposed upon the use of resources reported in the General Fund. 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 of directors, which is the Organization's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the board of directors modifies or rescinds the commitment by resolution.

Assigned – Amounts constrained for specific purposes that are internally imposed. In the General Fund, assigned amounts represent intended uses established by the board of directors itself or by an official to whom the governing body delegates the authority. The board of directors has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Administrator.

Unassigned – The residual classification for the General Fund and also negative residual amounts in other funds.

The Organization considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Organization would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Organization has formally adopted a cash fund balance policy for the General Fund. The Organization's policy is to maintain a minimum unassigned fund balance of 35% to 50% of budgeted operating expenditures for cash-flow timing needs.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The budget for each fund is prepared on the same basis of accounting as the financial statements. The Organization does not use encumbrance accounting.

During the budget year, supplemental appropriations and deletions are or may be authorized by the board of directors. The budget was not amended by the board of directors in 2024.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Organization's deposits may not be returned or the Organization 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 board of directors, the Organization maintains deposits at those depository banks which are members of the Federal Reserve System.

Minnesota Statutes require that all Organization deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the Organization.

At year-end, the Organization's carrying amount of deposits was (\$13,380) and the bank balance was \$21,022. The entire bank balance was covered by federal depository insurance.

Investments

The Organization does not have an investment policy and is permitted to invest its idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements 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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Interest Rate Risk – Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Investments are categorized to give an indication of the level of interest rate risk assumed at year-end. Investments as of December 31, 2024 are as follows:

Type of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled Investments:			
Minnesota Trust Term Series	N/A	Less than 6 Months	\$ 300,000
Minnesota Municipal Money Market Fund	N/A	Less than 6 Months	1,269,154
Total Investments			<u>\$ 1,569,154</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.

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

Credit Risk – 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. Minnesota Statutes limit the Organization's investments to the list on page 29 of the notes.

Custodial Credit Risk – The 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 – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The Organization does not have an investment policy that addresses the risks described above.

The Minnesota Municipal Money Market Fund Trust and the US Bank Money Market are money market accounts that are valued at amortized cost with maturities of investments of one year or less.

The Minnesota Municipal Money Market Trust Fund does not have its own credit rating. PMA Financial Network, Inc., who administers the Minnesota Municipal Money Market Fund Trust, holds an organization credit rating of AA by Standard & Poor's.

A reconciliation of cash and temporary investments as shown in the financial statements of the Organization follows:

Carrying Amounts of Deposits	\$ (821)
Investments	1,569,154
Cash on Hand	24
Total	<u>\$ 1,568,357</u>
Cash and Investments	
Unrestricted	\$ 1,568,357
Total	<u>\$ 1,568,357</u>

Fair Value Measurements

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The Organization follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Organization has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the combined statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial asset and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use a pricing the asset.

There are no investments measured at fair value and that all investments are held at amortized cost.

The Minnesota Municipal Money Market Fund Trust is an external investment pool (the Pool) that is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board.

NOTE 4 LONG-TERM DEBT

Changes in Long-Term Liabilities

In 2021, the Organization entered into a Clean Water Partnership loan agreement with the Minnesota Pollution Control Agency for funding construction projects. The total loan proceeds were \$385,690. The loan is a 0% interest loan and has a final maturity date of June 15, 2031.

	Final Maturity Date	Interest Rate	Original Issue	Balance December 31, 2024
Governmental Activities:				
Clean Water Partnership Loan	June 15, 2031	0.00%	\$ 385,690	\$ 250,699
Total				<u>\$ 250,699</u>

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities (Continued)

Below are the annual debt service requirements to maturity for the organization:

<u>Year Ending December 31,</u>	<u>Clean Water Partnership Loan Principal</u>
2025	\$ 38,569
2026	38,569
2027	38,569
2028	38,569
2029	38,569
Thereafter	57,854
Total	<u>\$ 250,699</u>

Long-term liability activity for the year ended December 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental Activities					
Clean Water Partnership Loan	\$ 289,268	\$ -	\$ (38,569)	\$ 250,699	\$ 38,569

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

The Organization participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

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. When a member is “vested,” they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Fund Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. 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 prorated increase.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the Organization was required to contribute 7.50% for General Plan members. The Organization's contributions to the General Employees Fund for the year ended December 31, 2024, were \$30,590. The Organization's contributions were equal to the required contributions as set by state statute.

NOTE 6 RISK MANAGEMENT

The Organization 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 Organization carries insurance. The Organization pays annual premiums for its workers' compensation and property and casualty insurance. Settled claims have not exceeded the Organization's coverage in any of the past three fiscal years.

NOTE 7 CHANGES IN FUND BALANCE FOR CHANGE IN ACCOUNTING METHOD

During the year ended December 31, 2024, beginning fund balance of the General Fund was restated for the change in basis of accounting. The restatement is as follows:

	<u>General Fund</u>
Fund Balance, as Previously Reported at December 31, 2023	\$ 1,313,236
Change in Accounting Basis - From Modified Accrual to Cash Basis	<u>134,648</u>
Cash Fund Balance, as Restated, at January 1, 2024	<u><u>\$ 1,447,884</u></u>

Change in Accounting Basis

The Organization had previously reported the General Fund financial statements in accordance with the *current financial resources measurement focus* and the *modified accrual basis of accounting*. In 2024, the Organization has transitioned to follow the cash basis of accounting for all funds, as described in Note 1. The effect of this change in accounting method is a change in fund balance as of January 1, 2024, in the amount of \$134,648.

SUPPLEMENTARY INFORMATION

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
YEAR ENDED DECEMBER 31, 2024**

	2024			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
RECEIPTS				
Charges for Services	\$ 1,145,431	\$ 1,145,431	\$ 1,157,700	\$ 12,269
Intergovernmental Grants	368,000	368,000	61,478	(306,522)
Interest on Investments	30,000	30,000	72,307	42,307
Miscellaneous	1,000	1,000	173,579	172,579
Total Revenues	1,544,431	1,544,431	1,465,064	(79,367)
DISBURSEMENTS				
General and Administrative:				
Wages	435,554	435,554	417,640	(17,914)
Payroll Taxes and Employee Benefits	136,799	136,799	122,359	(14,440)
Legal	7,000	7,000	8,388	1,388
Professional Services	93,000	93,000	50,395	(42,605)
Information Systems	33,850	33,850	24,706	(9,144)
Insurance	10,050	10,050	11,504	1,454
Office	32,239	32,239	23,655	(8,584)
Staff Training	14,250	14,250	8,868	(5,382)
Telephone	-	-	3,780	3,780
Miscellaneous	-	-	4,829	4,829
Programs:				
Monitoring	305,000	305,000	125,907	(179,093)
Projects	1,057,562	1,057,562	503,991	(553,571)
Debt Service	38,569	38,569	38,569	-
Total Expenditures	2,163,873	2,163,873	1,344,591	(819,282)
NET CHANGE IN CASH FUND BALANCES	<u>\$ (619,442)</u>	<u>\$ (619,442)</u>	120,473	<u>\$ 739,915</u>
Fund Balances - January 1			1,313,236	
Changes in Fund Balance for Change in Accounting Method - See Note 7			134,648	
Cash Fund Balances - January 1, Adjusted			1,447,884	
FUND BALANCES - DECEMBER 31			<u>\$ 1,568,357</u>	

**OTHER INFORMATION
(UNAUDITED)**

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
STATEMENT OF ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)**

Source of Revenue	Purpose	Amount
North Oaks Home Owners Association	2024 Deep Lake Yellow Iris Control	\$ 3,000
Ramsey County	Storm Sewer Utility Final 2024 Receipt	5,021
Anoka County	Storm Sewer Utility Final 2024 Receipt	1,130
	Total	<u>\$ 9,151</u>

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
STATEMENT OF ACCOUNTS PAYABLE
YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)

Vendor	Item/Purpose	Amount
US Bank	Bank Service Charge	\$ 47
Phil Belfiori	December Mileage	35
Lauren Sampetro	December Mileage	27
Brian Corcoran	December Mileage	29
Dawn Tanner	December Reimbursement	8
Houston Engineering, Inc	Project Engineering Services	15,360
Barr Engineering Co	Project Engineering Services	837
Ehlers & Associates, Inc.	Storm Sewer Utility Work	5,183
City of Vadnais Heights	December Rent, Soil Testing, Smart Irrigation	14,098
Ramsey County	Birch Lake Project	4,466
Metro - Inet	IT Support	1,571
White Bear Lake Area Historical Society	Soil Health Grant Project	1,000
Town Law Center, PLLP	Legal Services	285
City of White Bear Lake	December Payroll	37,054
Ramsey County	Birch Lake Project	19,080
North Oaks Home Owners Association	Deep Lake Restoration 2024 Support	15,000
Anoka County	Certification Fee 2024	214
City of Vadnais Heights	City Hall & Community Park Smart Irrigation	25
City of Vadnais Heights	City Hall & Community Park Smart Irrigation	325
City of Vadnais Heights	City Hall & Community Park Smart Irrigation	13
City of Vadnais Heights	Resiliency Study	43,906
City of Vadnais Heights	City Hall & Community Park Smart Irrigation	7,212
Total		<u>\$ 165,775</u>

OTHER REQUIRED REPORTS



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Vadnais Lake Area Water Management Organization
Vadnais Heights, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of balances arising from cash transactions of the General Fund of the Vadnais Lake Area Water Management Organization (the Organization), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated March 20, 2025. We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements are prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America. However, our opinion was unmodified on the financial statements presented under this regulatory basis.

In connection with our audit, nothing came to our attention that caused us to believe that Vadnais Lake Area Water Management Organization failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Organization'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 Organization and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 20, 2025

