

**VADNAIS LAKE AREA WATER
MANAGEMENT ORGANIZATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

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YEAR ENDED DECEMBER 31, 2023**

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INTRODUCTORY SECTION

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
BOARD OF DIRECTORS AND APPOINTED OFFICIALS
YEAR ENDED DECEMBER 31, 2023**

BOARD OF DIRECTORS

| Name | Title | Member City |
|----------------------|---------------------|---------------------|
| Jim Lindner | Chairperson | Gem Lake |
| Katherine Doll Kanne | Treasurer/Secretary | Vadnais Heights |
| Dan Jones | Vice-Chair | White Bear Lake |
| Rob Rafferty | Board Member | Lino Lakes |
| Ed Prudhon | Board Member | White Bear Township |
| John Schuman | Board Member | North Oaks |

TECHNICAL COMMISSION

| Name | Title | Member City |
|----------------|--------------|---------------------|
| Gloria Tessier | Chairperson | Gem Lake |
| Jesse Farrell | 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 accompanying financial statements of the governmental activities and the major fund of the Vadnais Lake Area Water Management Organization (VLAWMO), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the VLAWMO'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 the major fund of the VLAWMO as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparisons for the General Fund thereof, 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 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the VLAWMO's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of employer's share of PERA net pension liability, and the schedule of employer's share of PERA contributions 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 GAAS, 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 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.

Report on Summarized Comparative Information

We have previously audited the VLAWMO's 2022 financial statements of the governmental activities and the major fund, and we expressed unmodified opinions on those financial statements in our report dated April 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 24, 2024

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

As management of the Vadnais Lake Area Water Management Organization (the Organization), Vadnais Heights, Minnesota, we offer readers of the Organization's financial statements this narrative overview and analysis of the financial activities of the Organization 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 of resources of the Organization exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,386,356 (*net position*). Of this amount, \$664,048 (*unrestricted net position*) may be used to meet the Organization's ongoing obligations.
- The Organization's total net position increased by \$300,332.
- As of the close of the current fiscal year, the Organization's General Fund reported combined ending fund balances of \$1,313,236, an increase of \$57,805 in comparison with the prior year.
- The ending General Fund balance was \$1,313,236. Of this balance, \$984,442 is committed for purposes disclosed in the financial statements.
- The Organization's unrestricted cash and temporary investments as of December 31, 2023 increased to \$1,426,862 from \$1,259,504 as of December 31, 2022.

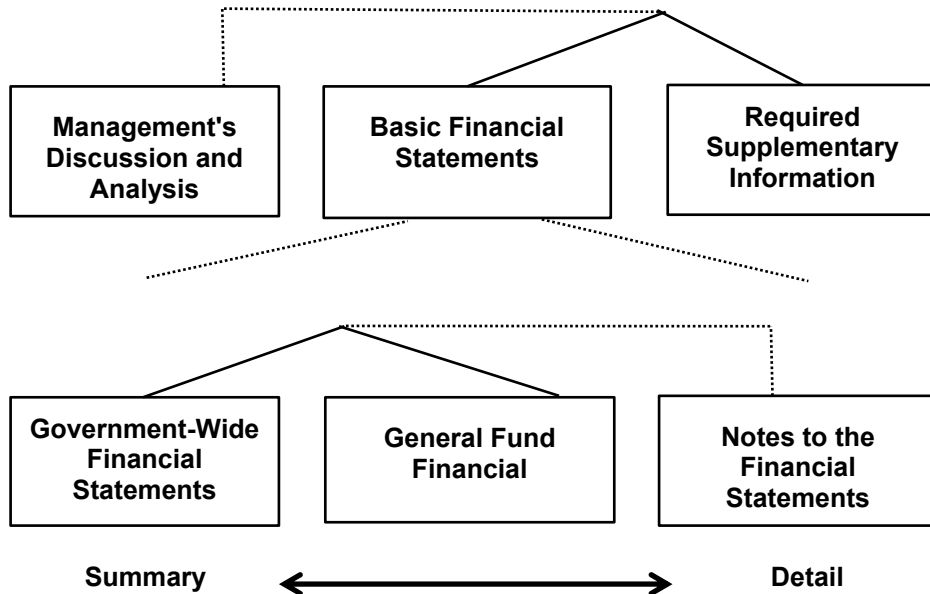
**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Organization's basic financial statements. The Organization's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) General Fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Figure 1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure 1
Required Components of the Organization's Annual Financial Report**



**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

Overview of the Financial Statements (Continued)

Figure 2 summarizes the major features of the Organization's financial statements, including the portion of the Organization government 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 | General Fund |
| Scope | Entire Organization | The activities of the Organization |
| 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/outflow 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 Organization's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Organization's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two 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 Organization is improving or deteriorating.

The *statement of activities* presents information showing how the Organization'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 Organization include general and administrative, programs, and projects.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

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 Organization, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Organization currently only uses a general fund.

General Fund

The *General Fund* is 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, the General 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 the General Fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *General Fund* 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 General Fund balance sheet and the General Fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the *General Fund* and *governmental activities*.

The Organization adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided in the Required Supplementary Information for the General Fund to demonstrate compliance with this budget.

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.

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 Organization, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,386,356 at the close of the most recent fiscal year.

The largest portions of the Organization's net position are unrestricted and available to meet the ongoing needs of the Organization. The Organization has a total of 52% classified as investment in capital assets (e.g., land, buildings, machinery, and equipment). The Organization uses these capital assets to provide services to its member cities; consequently, these assets are not available for future spending.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

Government-Wide Financial Analysis (Continued)

Vadnais Lake Area Water Management Organization's Summary of Net Position

| | December 31, | | Increase (Decrease) |
|--|---------------------|---------------------|------------------------|
| | 2023 | 2022 | |
| ASSETS | | | |
| Current | \$ 2,624,730 | \$ 2,443,831 | \$ 180,899 |
| Capital, Net of Accumulated Depreciation | 722,308 | 491,611 | 230,697 |
| Total Assets | <u>3,347,038</u> | <u>2,935,442</u> | <u>411,596</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Pension Resources | 77,325 | 124,931 | (47,606) |
| LIABILITIES | | | |
| Current | 1,378,277 | 1,272,311 | 105,966 |
| Noncurrent | 577,229 | 696,314 | (119,085) |
| Total Liabilities | <u>1,955,506</u> | <u>1,968,625</u> | <u>(13,119)</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Pension Resources | <u>89,016</u> | <u>5,724</u> | <u>83,292</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 722,308 | 491,611 | 230,697 |
| Unrestricted | <u>657,533</u> | <u>594,413</u> | <u>63,120</u> |
| Total Net Position | <u>\$ 1,379,841</u> | <u>\$ 1,086,024</u> | <u>\$ 293,817</u> |

At the end of the current fiscal year, the Organization is able to report positive balances in both categories of net position.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

Government-Wide Financial Analysis (Continued)

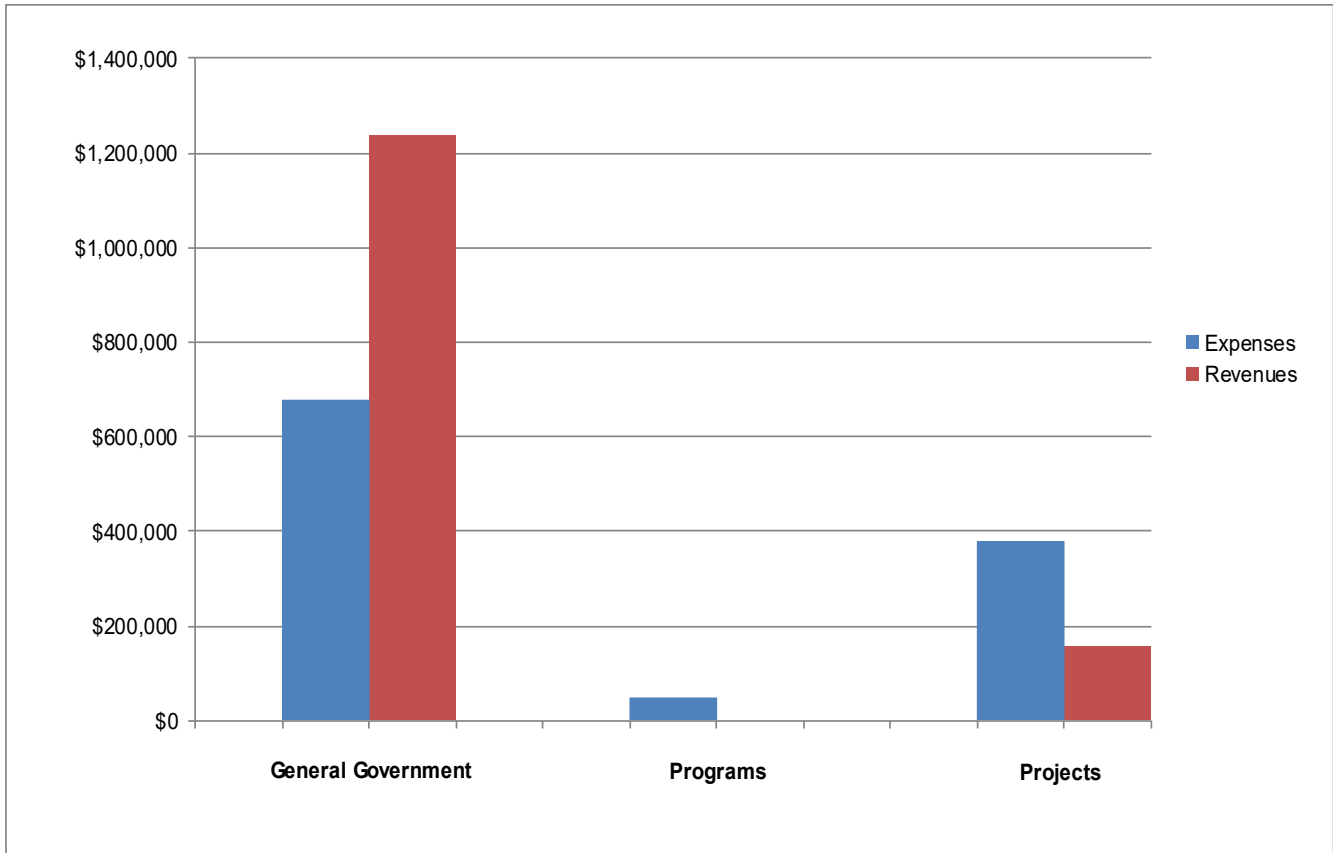
Vadnais Lake Area Water Management Organization's Changes in Net Position

| | December 31, | | Increase (Decrease) |
|------------------------------------|----------------------------|----------------------------|--------------------------|
| | <u>2023</u> | <u>2022</u> | |
| REVENUES | | | |
| Program: | | | |
| Charges for Services | \$ 1,182,290 | \$ 1,044,308 | \$ 137,982 |
| Operating Grants and Contributions | 158,145 | 208,934 | (50,789) |
| General: | | | |
| Unrestricted Investment Earnings | 55,282 | 15,334 | 39,948 |
| Total Revenues | <u>1,395,717</u> | <u>1,268,576</u> | <u>127,141</u> |
| EXPENSES | | | |
| General and Administrative | 676,809 | 656,009 | 20,800 |
| Programs | 47,491 | 22,265 | 25,226 |
| Projects | 377,600 | 258,940 | 118,660 |
| Total Expenses | <u>1,101,900</u> | <u>937,214</u> | <u>164,686</u> |
| CHANGE IN NET POSITION | 293,817 | 331,362 | (37,545) |
| Net Position - January 1 | <u>1,086,024</u> | <u>754,662</u> | <u>331,362</u> |
| NET POSITION - DECEMBER 31 | <u><u>\$ 1,379,841</u></u> | <u><u>\$ 1,086,024</u></u> | <u><u>\$ 293,817</u></u> |

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

Government-Wide Financial Analysis (Continued)

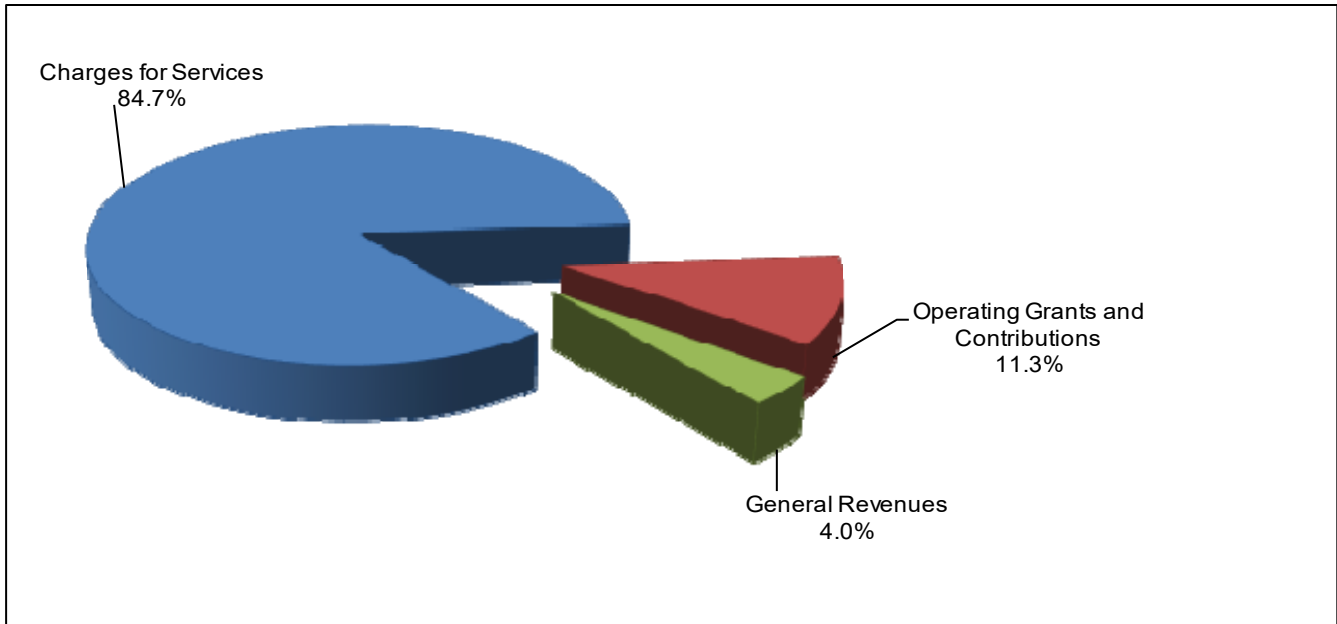
Expenses and Program Revenues – Governmental Activities



**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

Government-Wide Financial Analysis (Continued)

Revenues by Source – Governmental Activities



Financial Analysis of the General Fund

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

General Fund

The focus of the Organization's *General Fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Organization's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Organization's General Fund reported an ending fund balance of \$1,313,236, an increase of \$57,805 in comparison with the prior year. Approximately 25% of the total amount, \$328,794, constitutes unassigned fund balance, which is available for spending at the Organization's discretion. The remainder fund balance of \$984,442 is committed for purposes described in the notes to the financial statements. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 99% of 2023 fund expenditures and 128% of 2022 fund expenditures.

General Fund Budgetary Highlights

The Organization's General Fund budget was not amended during the year. Actual revenues were under budget by \$89,636, mainly due to the overbudgeting of intergovernmental grants. Expenditures were under budget with a variance of \$288,520 mostly due to planned maintenance costs not occurring.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

Capital Asset and Debt Administration

Capital Assets

The Organization's investment in capital assets for its governmental activities as of December 31, 2023, amounts to \$722,308 (net of accumulated depreciation).

Additional information on the Organization's capital assets can be found in Note 3 of this report.

Long-Term Liabilities

At year-end, the organization had a net amount of \$573,894 in long-term liabilities outstanding. The amount for the net pension liability relates to the portion of the statewide pension plan (PERA) that has been assigned to the Organization for the unfunded portion of those plans.

Additional information on the Organization's long-term liabilities can be found in Notes 3 and 4 of this report.

Economic Factors and Next Year's Budgets

The Organization considered and prepared the 2024 budget based on the following factors:

- Revenue is primarily from the storm sewer utility assessment, with occasional income from grants, service fees, and interest.
- Expenditures fall into three main categories: Programs, projects, and general and administration.
- Programs include: monitoring and data analysis, sustainable lake plans, cost-share, education and outreach, maintenance, and approximately 40% of payroll for five employees.
- Project include capital projects such as the construction of the Biochar BMP project and design work on the Wilkinson Lake BMP project. Projects also occupy approximately 45% of payroll for five employees.
- Operations and administration include office rent and supplies, bookkeeping and general and program audit, information systems, insurance, and approximate 15% payroll for five employees and legal expenses.

All of these factors were considered in preparing the Organization's budget for the 2023 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Organization's finances for all those with an interest in the Organization's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Phil Belfori, Administrator, Vadnais Lake Area Water Management Organization, 800 County Road E East, Vadnais Heights, MN 55127.

BASIC FINANCIAL STATEMENTS

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash and Temporary Investments | \$ 1,426,862 |
| Restricted Cash | 21,022 |
| Receivables: | |
| Special Assessments | 1,176,846 |
| Capital Assets: | |
| Depreciable Assets, Net of Accumulated Depreciation | 722,308 |
| Total Assets | 3,347,038 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Pension Resources | 77,325 |
| LIABILITIES | |
| Accounts Payable | 80,990 |
| Escrow Deposits Payable | 20,969 |
| Salaries Payable | 31,244 |
| Due to Other Government | 9,321 |
| Unearned Revenue | 1,152,437 |
| Compensated Absences Payable: | |
| Due Within One Year | 44,747 |
| Due in More than One Year | 46,936 |
| Loan Payable: | |
| Due Within One Year | 38,569 |
| Due in More than One Year | 250,699 |
| Net Pension Liability: | |
| Due in More than One Year | 279,594 |
| Total Liabilities | 1,955,506 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Pension Resources | 89,016 |
| NET POSITION | |
| Net Investment in Capital Assets | 722,308 |
| Unrestricted | 657,533 |
| Total Net Position | \$ 1,379,841 |

See accompanying Notes to Financial Statements.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

| Functions/Programs | Expenses | Program Revenues | | Net Revenue (Expense) and Changes in Net Position |
|-----------------------------------|--------------|----------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| GOVERNMENTAL ACTIVITIES | | | | |
| General and Administrative | \$ 676,809 | \$ 1,182,290 | \$ 158,145 | \$ 663,626 |
| Programs | 47,491 | - | - | (47,491) |
| Projects | 377,600 | - | - | (377,600) |
| Total | \$ 1,101,900 | \$ 1,182,290 | \$ 158,145 | 238,535 |
| GENERAL REVENUES | | | | |
| Unrestricted Investment Earnings | | | | 55,282 |
| CHANGE IN NET POSITION | | | | 293,817 |
| Net Position - January 1 | | | | 1,086,024 |
| NET POSITION - DECEMBER 31 | | | | \$ 1,379,841 |

See accompanying Notes to Financial Statements.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
BALANCE SHEET
DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE INFORMATION AS OF DECEMBER 31, 2022)**

| | 2023 | 2022 |
|--|--------------|--------------|
| ASSETS | | |
| Cash and Temporary Investments | \$ 1,426,862 | \$ 1,259,504 |
| Restricted Cash | 21,022 | 21,014 |
| Receivables: | | |
| Accounts | - | 44,170 |
| Special Assessments | 1,176,846 | 1,119,143 |
| Total Assets | \$ 2,624,730 | \$ 2,443,831 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | |
| LIABILITIES | | |
| Accounts Payable | \$ 80,990 | \$ 20,027 |
| Escrow Deposits Payable | 20,969 | 20,969 |
| Salaries Payable | 31,244 | 30,213 |
| Due to Other Government | 9,321 | 8,940 |
| Unearned Revenue | 1,152,437 | 1,096,700 |
| Total Liabilities | 1,294,961 | 1,176,849 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable Revenue - Special Assessments | 16,533 | 11,551 |
| FUND BALANCES | | |
| Committed | 984,442 | 526,363 |
| Unassigned | 328,794 | 729,068 |
| Total Fund Balances | 1,313,236 | 1,255,431 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 2,624,730 | \$ 2,443,831 |

See accompanying Notes to Financial Statements.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Amounts reported for the governmental activities in the statement of net position are different because:

| | |
|--|--------------|
| Total Fund Balances - Governmental | \$ 1,313,236 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. | |
| Cost of Capital Assets | 1,078,980 |
| Less: Accumulated Depreciation | (356,672) |
| Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. | |
| Loan Payable | (289,268) |
| Compensated Absences Payable | (91,683) |
| Pension Liability | (279,594) |
| Some receivables are not available soon enough to pay for the current periods expenditures, and therefore are unavailable in the funds. | |
| Special Assessments | 16,533 |
| Governmental funds do not report long-term amounts related to pensions. | |
| Deferred Outflows of Pension Resources | 77,325 |
| Deferred Inflows of Pension Resources | (89,016) |
| | (89,016) |
| Total Net Position - Governmental Activities | \$ 1,379,841 |

See accompanying Notes to Financial Statements.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

| | 2023 | 2022 |
|---|--------------|--------------|
| REVENUES | | |
| Charges for Services | \$ 1,091,991 | \$ 1,029,366 |
| Intergovernmental Grants | 158,145 | 208,934 |
| Interest on Investments | 55,282 | 15,334 |
| Miscellaneous | 85,317 | 12,552 |
| Total Revenues | 1,390,735 | 1,266,186 |
| EXPENDITURES | | |
| Current: | | |
| General and Administrative | 632,544 | 611,071 |
| Programs | 39,965 | 89,420 |
| Projects | 621,852 | 290,334 |
| Debt Service | 38,569 | 38,569 |
| Total Expenditures | 1,332,930 | 1,029,394 |
| EXCESS OF REVENUES OVER EXPENDITURES | 57,805 | 236,792 |
| NET CHANGE IN FUND BALANCES | 57,805 | 236,792 |
| Fund Balances - January 1 | 1,255,431 | 1,018,639 |
| FUND BALANCES - DECEMBER 31 | \$ 1,313,236 | \$ 1,255,431 |

See accompanying Notes to Financial Statements.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Amounts reported for the governmental activities in the statement of activities are different because:

| | | |
|---|----|----------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | 57,805 |
| <p>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.</p> | | |
| Depreciation Expense | | (49,082) |
| Capital Outlays | | 279,779 |
| <p>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.</p> | | |
| Special Assessments | | 4,982 |
| <p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p> | | |
| Principal Repayments | | 38,569 |
| <p>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.</p> | | |
| Pension Expense | | (22,410) |
| Compensated Absences | | (15,826) |
| | | (38,236) |
| Change in Net Position - Governmental Activities | \$ | 293,817 |

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Vadnais Lake Area Water Management Organization (the 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.

Government-Wide and General Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Organization.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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 General Fund.

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.

The General 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 Organization 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, 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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the 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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Nonexchange transactions, in which the Organization 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 Organization must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Organization on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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.

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

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements.

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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources,
and Net Position/Fund Balance (Continued)**

Deposits and Investments (Continued)

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.
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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Restricted Assets

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

Accounts Receivable

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

Special Assessments

Special assessments represent storm sewer utility charges. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue in the year they are collected or received in cash or within 60 days after year-end. General Fund special assessments receivables are offset by deferred inflows of resources or unearned revenue in the fund financial statements.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Organization as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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 estimated 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. In cases of projects constructed on land owned by another partnering entity and where VLAWMO has taken on Board approved responsibility for project operation and maintenance, the useful life of that project would be capitalized based on the years of operation and maintenance of that documented responsibility.

Property, plant, and equipment of the Organization are depreciated using the straight-line method over the following estimated useful lives:

| | |
|----------------|----------------|
| Infrastructure | 15 to 30 Years |
| Equipment | 5 to 7 Years |

Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the governmental activities.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of financial 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Organization 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.

Compensated Absences

It is the Organization's policy to permit employees to accumulate earned but unused vacation and sick benefits, which will be paid to the employee upon separation without the considerations of number of years of service. A liability for these amounts is reported in the General Fund only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is used to pay employee benefits upon termination for governmental funds.

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. 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.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and fund financial statements 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 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 only 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 General Fund balance sheet. The General Fund reports unavailable revenues from one source: special assessments. The unavailable amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Furthermore, the Organization has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statement of net position, and results from actuarial calculations.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Fund Balance

In the General Fund financial statements, 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 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, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Net Position

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

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

Restricted Net Position – Consist 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.

Unrestricted Net Position – All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All annual appropriations lapse at year-end. 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 2023.

NOTE 3 DETAILED NOTES ON ACCOUNTS

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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ACCOUNTS (CONTINUED)

Deposits and Investments (Continued)

Deposits (Continued)

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.

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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ACCOUNTS (CONTINUED)

Deposits and Investments (Continued)

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.

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, 2023 are as follows:

| <u>Type of Investments</u> | <u>Credit Quality/ Ratings (1)</u> | <u>Segmented Time Distribution (2)</u> | <u>Fair Value and Carrying Amount</u> |
|---------------------------------------|--|--|---|
| <u>Pooled Investments:</u> | | | |
| Minnesota Trust Term Series | N/A | Less than 6 Months | \$ 300,000 |
| Minnesota Municipal Money Market Fund | N/A | Less than 6 Months | 1,161,240 |
| <u>Total Investments</u> | | | <u>\$ 1,461,240</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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ACCOUNTS (CONTINUED)

Deposits and Investments (Continued)

Investments (Continued)

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.

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 | \$ (13,380) |
| Investments | 1,461,240 |
| Cash on Hand | 24 |
| Total | \$ 1,447,884 |
| | |
| Cash and Investments | |
| Unrestricted | \$ 1,426,862 |
| Restricted | 21,022 |
| Total | \$ 1,447,884 |

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ACCOUNTS (CONTINUED)

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.

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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ACCOUNTS (CONTINUED)

Restricted Assets

The Organization set aside the following cash balances for repayment of individual property owners:

| | |
|----------------------------|-------------------------|
| Mitigation Restricted Cash | <u><u>\$ 21,022</u></u> |
|----------------------------|-------------------------|

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, Being Depreciated: | | | | |
| Infrastructure | \$ 767,826 | \$ - | \$ - | \$ 767,826 |
| Equipment | 31,375 | - | - | 31,375 |
| Construction in Process | - | 279,779 | - | 279,779 |
| Total Capital Assets Being Depreciated | 799,201 | - | - | 1,078,980 |
| Less Accumulated Depreciation for: | | | | |
| Infrastructure | (281,284) | (48,260) | - | (329,544) |
| Equipment | (26,306) | (822) | - | (27,128) |
| Total Accumulated Depreciation | (307,590) | (49,082) | - | (356,672) |
| Total Governmental Activities | \$ 491,611 | \$ (49,082) | \$ - | \$ 722,308 |

The full depreciation expense amount was charged to projects.

Unearned Revenue

The General Fund reports unearned revenue in connection with receivables for revenues that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported were as follows:

| | |
|--------------------------------|----------------------------|
| | <u>Unearned</u> |
| Special Assessments Receivable | <u><u>\$ 1,152,437</u></u> |

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ACCOUNTS (CONTINUED)

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, 2023 |
|---------------------------------|---------------------------|------------------|-------------------|---------------------------------|
| Governmental Activities: | | | | |
| Clean Water Partnership Loan | June 15, 2031 | 0.00% | \$ 385,690 | \$ 289,268 |
| Compensated Absences Payable | | | | 91,683 |
| Total | | | | <u>\$ 380,951</u> |

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> |
|---------------------------------|---|
| 2024 | \$ 38,569 |
| 2025 | 38,569 |
| 2026 | 38,569 |
| 2027 | 38,569 |
| 2028 | 38,569 |
| Thereafter | 96,423 |
| Total | <u>\$ 289,268</u> |

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion |
|---|----------------------|------------------|--------------------|-------------------|--------------------|
| Governmental Activities | | | | | |
| Clean Water Partnership Loan | \$ 327,837 | \$ - | \$ (38,569) | \$ 289,268 | \$ 38,569 |
| Compensated Absences Payable | 75,857 | 52,849 | (37,023) | 91,683 | 44,747 |
| Government-Type Activity Long-Term Liabilities | <u>\$ 403,694</u> | <u>\$ 52,849</u> | <u>\$ (75,592)</u> | <u>\$ 380,951</u> | <u>\$ 83,316</u> |

Fund Balance Classifications

At December 31, 2023, portions of the Organization's fund balance are not available for appropriation due to board of directors' action (committed). The following is a summary of the commitments:

| | |
|---|-------------------|
| Commitments: | |
| Operations and Administration | \$ 27,000 |
| Monitoring and Studies | 15,000 |
| Education and Outreach | 2,000 |
| Capital Improvement Projects and Programs | 940,442 |
| Total Committed | <u>\$ 984,442</u> |

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 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). 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 Fund (GERF)

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

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 Fund 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 for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

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 Organization was required to contribute 7.50 percent for Coordinated Plan members. The Organization’s contributions to the General Employees Fund for the year ended December 31, 2023 were \$29,957. The Organization’s contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2023, the Organization reported a liability of \$279,594 for its proportionate share of the General Employees Fund’s net pension liability. The Organization’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 Organization totaled \$7,801.

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 Organization’s proportion of the net pension liability was based on the Organization’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 Organization’s proportionate share was 0.0050% at the end of the measurement period and 0.0049% for the beginning of the period.

| | |
|--|-------------------|
| Organization's Proportionate Share of the Net Pension Liability | \$ 279,594 |
| State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the Organization | 7,801 |
| Total | <u>\$ 287,395</u> |

For the year ended December 31, 2023, the Organization recognized pension expense of \$52,897 for its proportionate share of GERF’s pension expense.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ 9,182 | \$ 1,926 |
| Changes in Actuarial Assumption | 45,262 | 76,634 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 10,456 |
| Changes in Proportion | 7,572 | - |
| Contributions to GERP Subsequent to the Measurement Date | 15,309 | - |
| Total | <u>\$ 77,325</u> | <u>\$ 89,016</u> |

The \$15,309 reported as deferred outflows of resources related to pensions resulting from Organization'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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|---------------|
| 2024 | \$ 11,421 |
| 2025 | (40,394) |
| 2026 | 8,038 |
| 2027 | (6,065) |

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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|------------------------------|---|
| 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 | <u>100.00%</u> | |

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Actuarial Methods and 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.

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 7.00 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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Discount Rate

The discount rate for the General Employees Plan 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 Fund was 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.

Pension Liability Sensitivity

The following presents the Organization’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 Organization’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.

| One Percent Decrease (6.00%) | Current (7.00%) | One Percent Increase (8.00%) |
|------------------------------------|--------------------|------------------------------------|
| \$ 494,625 | \$ 279,594 | \$ 102,724 |

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.

NOTE 5 OTHER INFORMATION

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.

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 Organization’s management is not aware of any incurred but not reported claims.

REQUIRED SUPPLEMENTARY INFORMATION

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2022)**

| | 2023 | | | | 2022 |
|--|----------------------------|----------------------------|----------------------------|-------------------------------|----------------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amount |
| | Original | Final | | | |
| REVENUES | | | | | |
| Charges for Services | \$ 1,090,887 | \$ 1,090,887 | \$ 1,091,991 | \$ 1,104 | \$ 1,029,366 |
| Intergovernmental Grants | 388,284 | 388,284 | 158,145 | (230,139) | 208,934 |
| Interest on Investments | 1,000 | 1,000 | 55,282 | 54,282 | 15,334 |
| Miscellaneous | 200 | 200 | 85,317 | 85,117 | 12,552 |
| Total Revenues | <u>1,480,371</u> | <u>1,480,371</u> | <u>1,390,735</u> | <u>(89,636)</u> | <u>1,266,186</u> |
| EXPENDITURES | | | | | |
| General and Administrative: | | | | | |
| Wages | 422,353 | 422,353 | 407,762 | (14,591) | 391,748 |
| Payroll Taxes and Employee Benefits | 128,728 | 128,728 | 118,395 | (10,333) | 114,636 |
| Legal | 6,000 | 6,000 | 435 | (5,565) | 1,459 |
| Professional Services | 70,500 | 70,500 | 27,435 | (43,065) | 36,419 |
| Information Systems | 33,300 | 33,300 | 20,393 | (12,907) | 20,573 |
| Insurance | 7,571 | 7,571 | 10,058 | 2,487 | 9,136 |
| Office | 28,181 | 28,181 | 22,082 | (6,099) | 20,040 |
| Staff Training | 13,250 | 13,250 | 18,299 | 5,049 | 10,601 |
| Telephone | - | - | 3,670 | 3,670 | 3,255 |
| Miscellaneous | - | - | 4,015 | 4,015 | 3,204 |
| Programs: | | | | | |
| Monitoring | 85,500 | 85,500 | 39,965 | (45,535) | 89,420 |
| Maintenance | 127,600 | 127,600 | - | (127,600) | - |
| Projects | 659,899 | 659,899 | 621,852 | (38,047) | 290,334 |
| Debt Service | 38,568 | 38,568 | 38,569 | 1 | 38,569 |
| Total Expenditures | <u>1,621,450</u> | <u>1,621,450</u> | <u>1,332,930</u> | <u>(288,520)</u> | <u>1,029,394</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (141,079) | (141,079) | 57,805 | 198,884 | 236,792 |
| NET CHANGE IN FUND BALANCES | (141,079) | (141,079) | 57,805 | 198,884 | 236,792 |
| Fund Balances - January 1 | <u>1,255,431</u> | <u>1,255,431</u> | <u>1,255,431</u> | <u>-</u> | <u>1,018,639</u> |
| FUND BALANCES - DECEMBER 31 | <u><u>\$ 1,114,352</u></u> | <u><u>\$ 1,114,352</u></u> | <u><u>\$ 1,313,236</u></u> | <u><u>\$ 198,884</u></u> | <u><u>\$ 1,255,431</u></u> |

See accompanying Notes to Required Supplementary Information.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
SCHEDULE OF EMPLOYER'S SHARE OF PERA NET PENSION LIABILITY – GENERAL EMPLOYEES RETIREMENT FUND
YEAR ENDED DECEMBER 31, 2023**

| <u>Fiscal Year Ending</u> | Organization's Proportion of the Net Pension Liability | (a) Organization's Proportion Share of the Net Pension Liability | (b) State's Proportionate Share of the Net Pension Liability Associated with the Organization | (a+b) Total | (c) Organization's Covered Payroll | ((a+b)/c) Organization's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---------------------------|---|--|---|----------------|--|---|--|
| 6/30/2023 | 0.0050 % | \$ 279,594 | \$ 7,801 | \$ 287,395 | \$ 399,427 | 71.95 % | 83.10 % |
| 6/30/2022 | 0.0049 | 388,082 | 11,504 | 399,586 | 369,173 | 108.24 | 76.70 |
| 6/30/2021 | 0.0049 | 209,252 | 6,454 | 215,706 | 353,120 | 61.09 | 87.00 |
| 6/30/2020 | 0.0047 | 281,786 | 8,788 | 290,574 | 338,307 | 85.89 | 79.10 |
| 6/30/2019 | 0.0043 | 237,737 | 7,333 | 245,070 | 301,640 | 81.25 | 80.23 |
| 6/30/2018 | 0.0041 | 238,546 | 7,929 | 246,475 | 291,293 | 84.61 | 79.53 |
| 6/30/2017 | 0.0041 | 306,429 | 3,859 | 310,288 | 309,693 | 100.19 | 75.90 |
| 6/30/2016 | 0.0041 | 332,900 | - | 332,900 | 255,040 | 130.53 | 78.20 |
| 6/30/2015 | 0.0041 | 212,483 | - | 212,483 | 260,400 | 81.60 | 78.20 |

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Organization will present information for only those years for which information is available.

See accompanying Notes to Required Supplementary Information.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
SCHEDULE OF EMPLOYER'S SHARE OF PERA CONTRIBUTIONS –
GENERAL EMPLOYEES RETIREMENT FUND
YEAR ENDED DECEMBER 31, 2023**

Schedule of Employers PERA Contributions - General Employees Retirement Fund

| <u>Year Ending</u> | (a) Statutorily Required Contribution | (b) Contributions in Relation to the Statutorily Required Contribution | (a-b) Contribution Deficiency (Excess) | (c) Organization's Covered Payroll | (b/c) Contributions as a Percentage of Covered Payroll |
|--------------------|--|---|---|--|---|
| 12/31/23 | \$ 29,957 | \$ 29,957 | \$ - | \$ 399,427 | 7.5% |
| 12/31/22 | 27,688 | 27,688 | - | 369,173 | 7.5% |
| 12/31/21 | 26,484 | 26,484 | - | 353,120 | 7.5% |
| 12/31/20 | 25,373 | 25,373 | - | 338,307 | 7.5% |
| 12/31/19 | 22,623 | 22,623 | - | 301,640 | 7.5% |
| 12/31/18 | 21,847 | 21,847 | - | 291,293 | 7.5% |
| 12/31/17 | 23,227 | 23,227 | - | 309,693 | 7.5% |
| 12/31/16 | 19,128 | 19,128 | - | 255,040 | 7.5% |
| 12/31/15 | 19,530 | 19,530 | - | 260,400 | 7.5% |

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Organization will present information for only those years for which information is available.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

NOTE 1 STEWARDSHIP AND ACCOUNTABILITY

Budgetary Information

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All annual appropriations lapse at year-end. 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 2023. Actual expenditures exceeded budgeted expenditures in the following funds:

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS
AND ASSUMPTIONS (CONTINUED)**

General Employees Fund (Continued)

2021 Changes

Changes in Actuarial Assumptions

The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.

The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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.

Changes in Plan Provisions

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 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

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% to 3%, beginning July 1, 2018.

Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Contribution stabilizer provisions were repealed.

Annual increases were changed from 1% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost-of Living Adjustment, not less than 1% and not more than 1.5%, beginning January 1, 2019.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions (Continued)

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 Changes

Changes in Actuarial Assumptions

The combined service annuity (CSA) loads were changed from 0.80% for active members and 60% for vested and nonvested deferred members. The revised CSA load are now 0% for active member liability, 15% for vested deferred member liability, and 3% for nonvested deferred member liability.

The assumed annual increase rate was changed for 1% per year for all years to 1% per year through 2044 and 2.50% per year thereafter.

Changes in Plan Provisions

The State's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018 and \$6.0 million 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 Changes

Changes in Actuarial Assumptions

The assumed annual increase rate was changed from 1% per year through 2035 and 2.50% per year thereafter to 1% per year for all years.

The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.

Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

There have been no changes since the prior valuation.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS
AND ASSUMPTIONS (CONTINUED)**

General Employees Fund (Continued)

2015 Changes

Changes in Actuarial Assumptions

The assumed annual increase rate was changed from 1% per year through 2030 and 2.5% per year thereafter to 1% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions:

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 increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

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 financial statements of the governmental activities and the major fund of the Vadnais Lake Area Water Management Organization (the Organization), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated April 24, 2024.

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
April 24, 2024



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