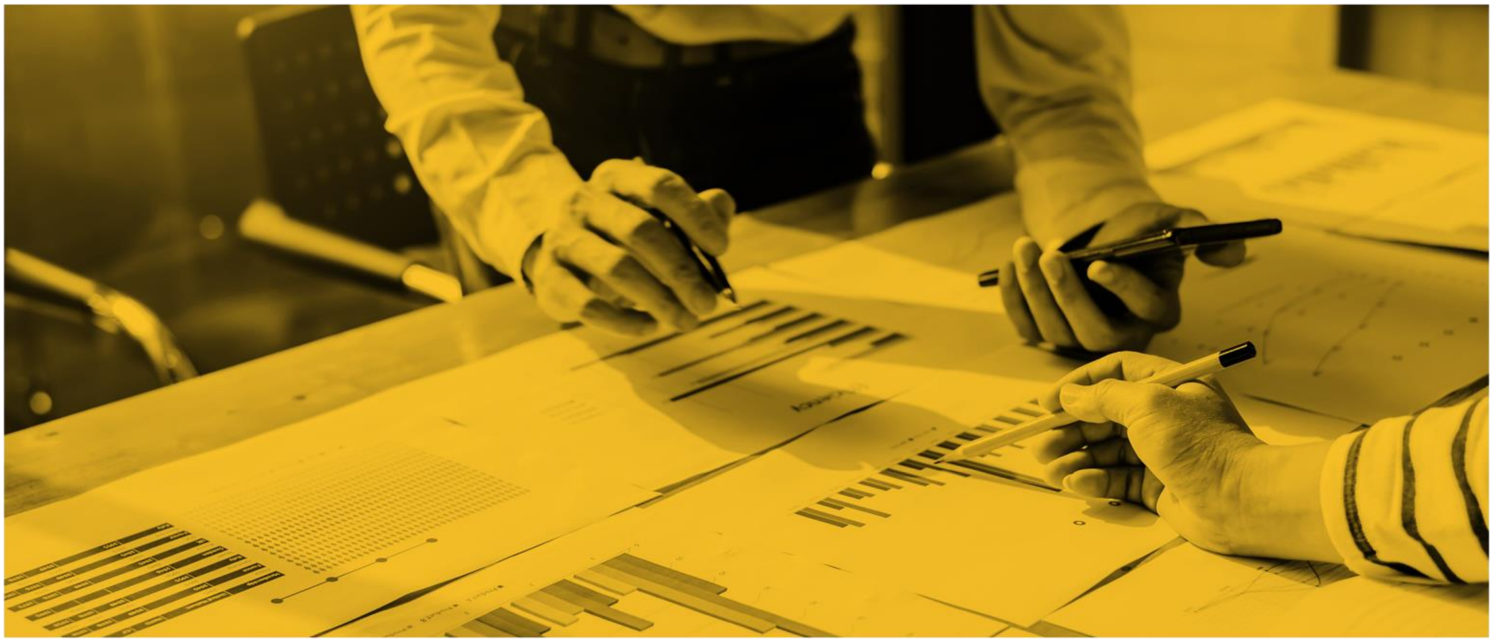

Annual Financial Report

Prior Lake-Spring Lake Watershed District

Prior Lake, Minnesota

For the years ended December 31, 2023

Abdo
Lighting the path forward

Edina Office
5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office
100 Warren Street, Ste 600
Mankato, MN 56001
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Prior Lake-Spring Lake Watershed District
Prior Lake, Minnesota
Annual Financial Report
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For the Year Ended December 31, 2023

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INTRODUCTORY SECTION

PRIOR LAKE - SPRING LAKE
WATERSHED DISTRICT
PRIOR LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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Prior Lake-Spring Lake Watershed District
Prior Lake, Minnesota
Board of Managers and Appointed Officials
For the Year Ended December 31, 2023

MANAGERS

Name	Title
Bruce Loney	President
Christian Morkeberg	Treasurer
Ben Burnett	Secretary
Matt Tofanelli	Board Member
Frank Boyles	Vice President

STAFF

Joni Giese	District Administrator
Patty Dronen	Administrative Assistant
Emily Dick	Water Resources Project Manager
Jeff Anderson	Water Resources Coordinator
Zach Nagel	Water Resources Technician
Danielle Studer	Water Resources Specialist

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FINANCIAL SECTION

PRIOR LAKE - SPRING LAKE
WATERSHED DISTRICT
PRIOR LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Managers of the
Prior Lake - Spring Lake Watershed District
Prior Lake, Minnesota

Report on the Financial Statements

Opinions

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

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

Basis for Opinions

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

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Employer's Share of the Net Pension Liability, Schedule of Employer's Contributions, and the related note disclosures starting on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement 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.

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Abdo
Minneapolis, Minnesota
April 19, 2024

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Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's total net position increased as shown in the summary of changes in net assets table on the following pages. A significant portion of this increase was mainly due to revenues from property taxes and intergovernmental reimbursements & grants in the General and Implementation funds.

- For the current fiscal year, the District's governmental funds fund balances are shown in the Financial Analysis of the District's Funds section of the Management's Discussion and Analysis. The total fund balance increased in comparison with the prior year. This increase was mainly due to revenues from property taxes and intergovernmental reimbursements & grants in the General and Implementation funds.

- Unassigned fund balance in the General fund as shown in the financial analysis of the District's funds section increased from prior year.

- The District's total long-term liabilities increased due to an increase in compensated absences.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The financial statements include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another.

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

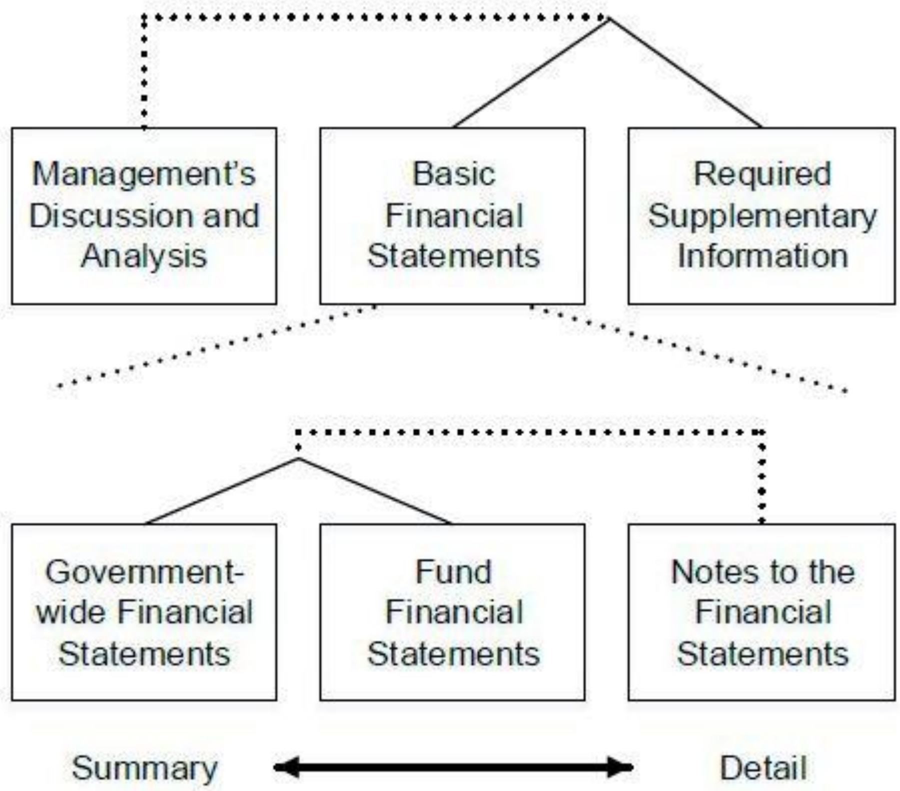


Figure 2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**
Scope	Entire District	The activities of the District
Required financial statements	• Statement of Net Position • Statement of Activities	• 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 District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, 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 District is improving or deteriorating.

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

The governmental activities of the District include general government, programs and interest on long-term debt.

The government-wide financial statements start on page 28 of this report.

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

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

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

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

The basic governmental fund financial statements start on page 32 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 39 of this report.

Government-wide Financial Analysis

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

A Large portion of the District's net position are net investment in capital assets (e.g., land, land improvements, easements and equipment). The net position invested in capital assets is not available for future spending.

Prior Lake-Spring Lake Watershed District's Summary of Net Position

	December 31, 2023	December 31, 2022	Increase (Decrease)
Assets			
Current	$ 3,694,967	$ 2,865,526	$ 829,441
Capital	1,167,494	1,185,322	(17,828)
Total Assets	4,862,461	4,050,848	811,613
Deferred Outflows of Resources			
Deferred pension resources	73,518	116,400	(42,882)
Liabilities			
Current	420,429	274,464	145,965
Noncurrent	304,269	424,126	(119,857)
Total Liabilities	724,698	698,590	26,108
Deferred Inflows of Resources			
Deferred pension resources	105,106	20,951	84,155
Net Position			
Investment in capital assets	1,167,494	1,185,322	(17,828)
Restricted	342,936	224,263	118,673
Unrestricted	2,595,745	2,038,122	557,623
Total Net Position	$ 4,106,175	$ 3,447,707	$ 658,468
Net Position as a Percent of Total			
Investment in capital assets	28.4 %	34.4 %	
Restricted	8.4	6.5	
Unrestricted	63.2	59.1	
	100.0 %	100.0 %	

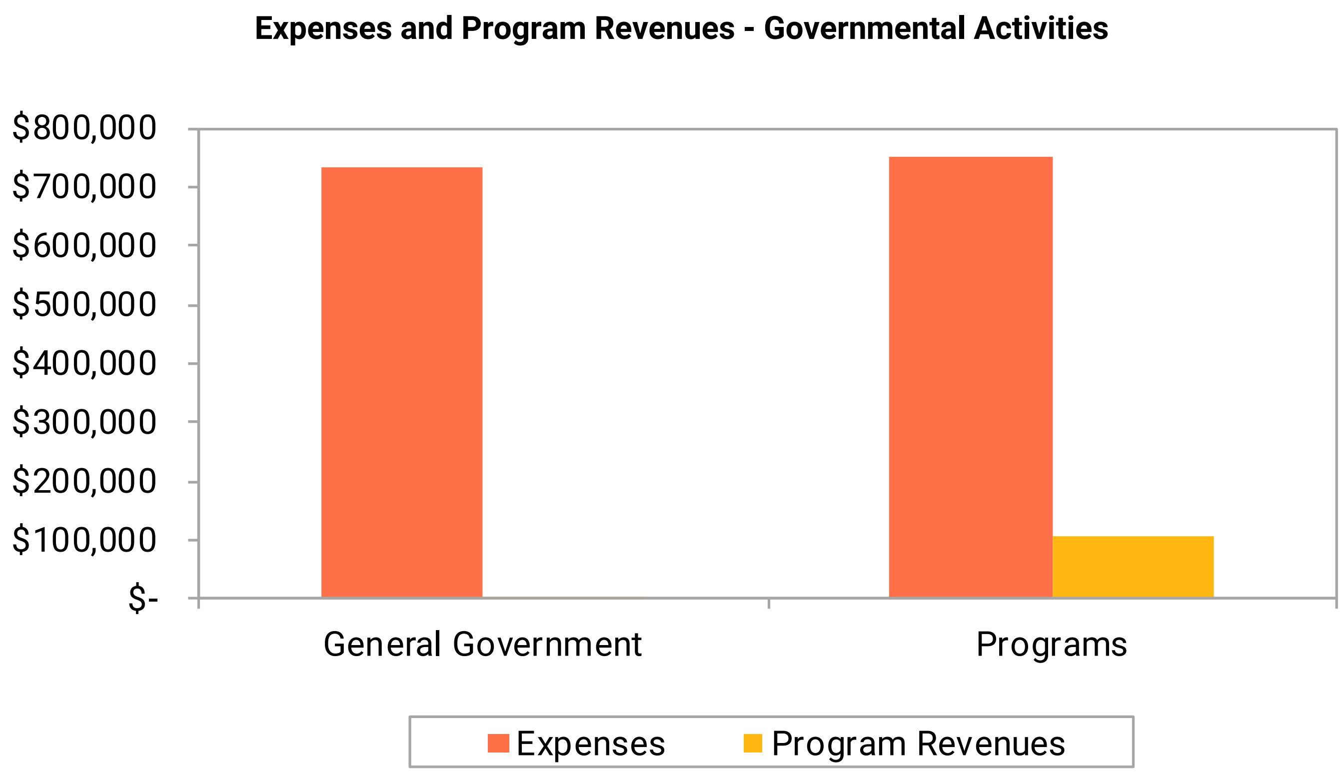
At the end of the current fiscal year, the District is able to report positive balances in all types of net position.

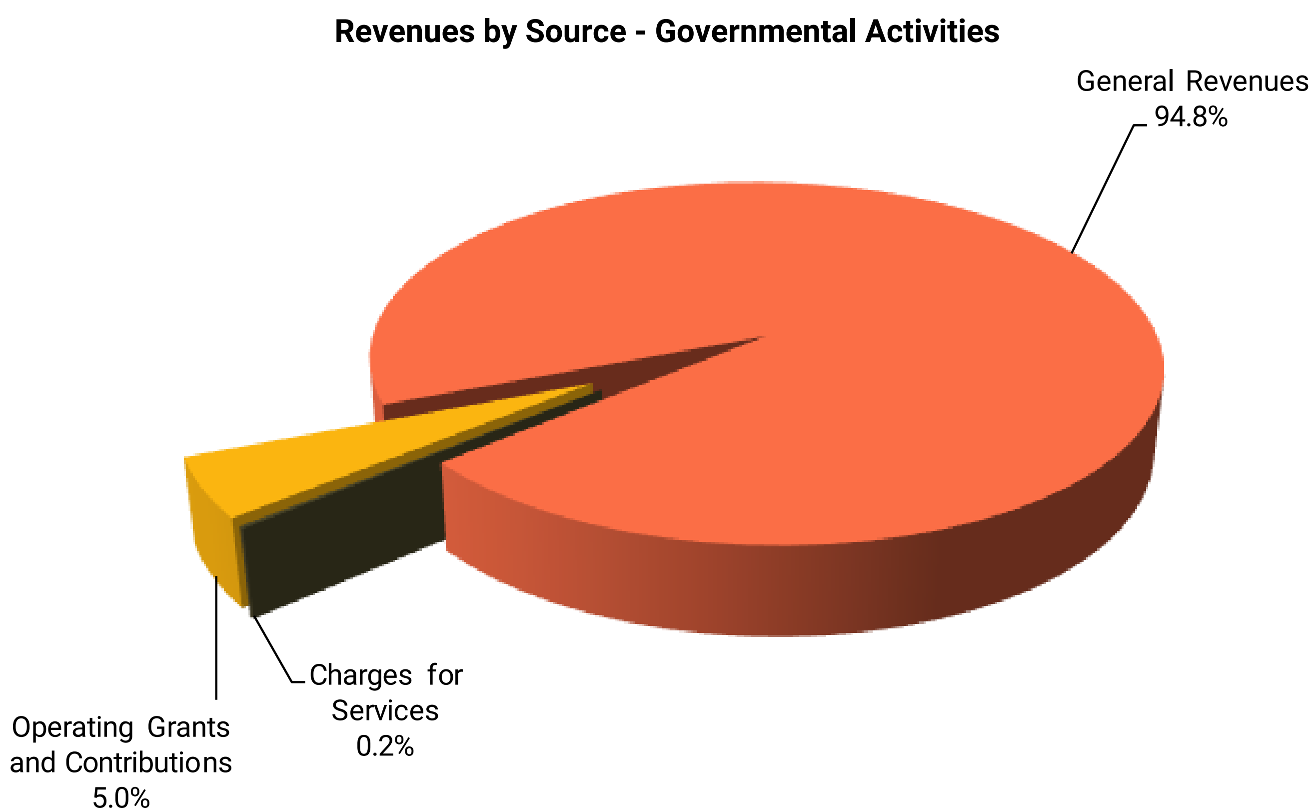
Governmental Activities. Governmental activities increased the District's net position, as shown below. This increase was mainly due to an increase in property taxes and unrestricted investment earnings. Key elements of this increase are as follows:

Prior Lake-Spring Lake Watershed District's Changes in Net Position

	December 31, 2023	December 31, 2022	Increase (Decrease)
Revenues			
Program			
Charges for services	$ 3,389	$ 3,808	$ (419)
Operating grants and contributions	106,233	302,396	(196,163)
General			
Property taxes	1,910,440	1,835,164	75,276
Unrestricted investment earnings	125,740	20,784	104,956
Total Revenues	2,145,802	2,162,152	(16,350)
Expenses			
General government	734,312	699,400	34,912
Programs	753,022	862,989	(109,967)
Total Expenses	1,487,334	1,562,389	(75,055)
Change in Net Position	658,468	599,763	58,705
Net Position, January 1	3,447,707	2,847,944	599,763
Net Position, December 31	$ 4,106,175	$ 3,447,707	$ 658,468

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





Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *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. The table below outlines the governmental fund balances for the year ending December 31, 2023.

	General Fund	Implementation Fund	JPA/MOA Operations Fund	JPA/MOA Emergency Fund	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	$ 2,387	$ 7,500	$ -	$ -	$ 9,887	$ 10,200	$ (313)
Restricted for	-	-	82,936	260,000	342,936	260,000	82,936
Committed for	-	1,322,000	-	-	1,322,000	942,300	379,700
Assigned for	-	1,259,518	-	-	1,259,518	1,099,335	160,183
Unassigned	322,256	-	-	-	322,256	261,743	60,513
	$ 324,643	$ 2,589,018	$ 82,936	$ 260,000	$ 3,256,597	$ 2,573,578	$ 683,019

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances shown above. Additional information on the District's fund balances can be found in Note 1 starting on page 39 of this report.

The General Fund is the District's primary operating fund. It accounts for all financial resources not accounted for in a different fund of the District. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	$ 2,387	$ 10,200	$ (7,813)
Unassigned	322,256	297,480	24,776
	$ 324,643	$ 307,680	$ 16,963
General Fund expenditures	$ 254,816	$ 218,119	
Unassigned as a percent of expenditures	126.5%	136.4%	
Total Fund Balance as a percent of expenditures	127.4%	141.1%	

The fund balance of the District's General fund increased during the current fiscal year as shown in the table above. The increase in fund balance was due to property tax and interest on investment revenues outweighing total expenditures.

Other major governmental fund analysis is shown below:

	December 31, 2023	December 31, 2022	Increase (Decrease)
Implementation Fund	$ 2,589,018	$ 2,041,635	$ 547,383
The Implementation Fund increase in fund balace during the year was due to revenues from property taxes over expenditures.			
JPA/MOA Operations Fund	82,936	(35,737)	118,673
The JPA/MOA Operations Fund increase in fund balance can be mainly attributed to the transfer in from the Implementation fund and JPA/MOA Emergency Fund.			
JPA/MOA Emergency Fund	260,000	260,000	-
The JPA/MOA Emergency Fund balance remained the same due to the interest on investments transferred out to the JPA/MOA Operations Fund.			

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	$ 252,200	$ -	$ 252,200	$ 271,779	$ 19,579
Expenditures	252,200	-	252,200	254,816	(2,616)
Net Change in Fund Balances	-	-	-	16,963	16,963
Fund Balances, January 1	307,680	-	307,680	307,680	
Fund Balances, December 31	$ 307,680	$ -	$ 307,680	$ 324,643	$ 16,963

The District's General fund budget was not amended during the year. Actual revenues and expenditures were over the final budget as shown above.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental and business-type activities as of December 31, 2023, is shown below in capital asset table (net of accumulated depreciation). This investment in capital assets includes land, easements, land improvements and equipment. The decrease is attributable to the sale of land and asset depreciation.

Prior Lake-Spring Lake Watershed District's Capital Assets
(Net of Depreciation)

	December 31, 2023	December 31, 2022	Increase (Decrease)
Land	$ 37,800	$ 37,800	$ -
Permanent Easements	578,120	578,120	-
Land Improvements	432,764	446,590	(13,826)
Equipment	118,810	122,812	(4,002)
Total	$ 1,167,494	$ 1,185,322	$ (17,828)

Additional information on the District's capital assets can be found in Note 3B starting on page 48 of this report.

Long-term Debt. At the end of the current fiscal year, the District had no bonded debt outstanding.

Prior Lake-Spring Lake Watershed District's Outstanding Debt

	December 31, 2023	December 31, 2022	Increase (Decrease)
Compensated Absences Payable	$ 35,858	$ 28,124	$ 7,734

The District's total debt and other liabilities increased during the current fiscal year, as shown above.

Additional information on the District's long-term debt can be found in Note 3D starting on page 49 of this report.

Economic Factors and Next Year's Budgets

The District goes through a multi-stage process to develop its annual budget. This first step includes developing a draft and final budget for the JPA/MOA Operations Fund with the PLOC Project Cooperators who are a part of the Memorandum of Agreement (MOA) for the Construction, Use, Operation, and Maintenance of the Prior Lake Outlet Channel (PLOC) and Outlet Structure. The final JPA/MOA Operations Fund budget for the next year is approved at the September PLOC Project Cooperators meeting. Concurrent with the development of the JPA/MOA Operations Fund budget, the Watershed District Board meets several times to consider current and projected projects, programs, staff adjustments, etc. to develop the General Fund and Implementation Fund budget. For the 2024 fiscal year, the District invited the Citizen Advisory Committee to review drafts of the budget and to provide feedback and comment. The 2024 budgets for all PLOC and District funds were approved in 2023.

PLOC: A 36-inch concrete pipe that extends 0.4 miles from the PLOC outlet structure to the PLOC open channel was televised in 2022. The televising resulted in a recommendation to install a cured-in-place pipe (CIPP) lining along the entire length of the pipe. In 2023, the Project Cooperators retained a consultant to prepare construction documents for the CIPP lining. The Project Cooperators, along with District Managers and staff, attempted to secure grant and/or state bonding funds to cover all or a portion of the CIPP cost. At December 31, 2023, neither grant or bonding funds had been secured. Efforts will continue in 2024 to secure grant and/or state bonding funds for the project. If efforts to obtain state bonding or grant funds are not successful in 2024, the PLOC Project Cooperators will need to determine if efforts should continue to find outside sources of funding or to self-fund the project. Once funding is secured, implementation of the pipelining project will occur.

District Rules: The District Board of Managers approved updated rules on May 10, 2022, that were effective June 1, 2022. The District continues to work with interested local government units within the District to establish equivalency agreements. Progress has been made with two local government units with the goal of establishing equivalency agreements in early 2024. The District is working with a third local government unit to establish interim equivalency protocols while that entity works to update their ordinances to be equivalent with the District rules.

Water Resources Management Plan: The District completed the update of the 2020 to 2030 Water Resources Management Plan in 2020. Three guiding principles of the Water Resources Management Plan (WRMP) include reducing flood impacts, maintaining or improving quality of water resources, and managing existing and preventing new aquatic invasive species in the District. In 2023, some of the WRMP initiatives included: a.) Completion of the Sutton Lake Management Plan, b.) Advanced Upper Watershed and upstream storage projects (see next sections), c.) Continued to work with Scott Soil and Water Conservation District (SWCD) to implement cost share projects and farmer-led council initiatives, d.) Continued AIS activities, such as curlyleaf pondweed assessments and management as necessary, carp removals, boat inspections, and AIS identification events, e.) Continued to monitor District streams and lakes, f.) Initiated a study of potential improvements to the District's ferric-chloride treatment facility, g.) Completed an update to the Fish Lake Management Plan, h.) Retained Scott SWCD to assist with implementation of the District's regulatory program, and i.)Initiated discussion of potential future alum treatments with consideration to Upper Prior Lake, Spring Lake, and Fish Lake.

Upper Watershed: The District completed the preparation of the Upper Watershed Blueprint Plan in 2021 to investigate and develop recommended projects for the upper watershed. In 2023 the District advanced the following projects located in the upper watershed: a.) Completed a feasibility study for wetland enhancement, water quality and potentially flood control east of Buck Lake, b.) Completed the Swamp Lake Phosphorus and Peak Flow Reduction feasibility study, c.) Initiated a feasibility evaluation of stabilizing a section of a stream outletting to Buck Lake, and d.) Continued to consult with upper watershed landowners to see if feasibility studies can be advanced to implementation. Based on direction received from the Board of Managers, District staff will prioritized the advancement of the following six upper watershed water quality projects in 2024 (Buck Lake chemical treatment system plan update, MB County Ditch 13 Iron Enhanced Sand Filter (IESF) feasibility study, Spring West IESF implementation, Swamp Lake IESF implementation, Buck Stream stabilization implementation, Improvements to the existing Ferric-chloride system to further improve water quality results from this facility.

Upstream Storage: A Flood Study completed in 2016 recommended that the District store water in the upper watershed. With the successful completion of Sutton Lake Outlet Project in 2022, the District met the first goal of the 2016 Flood Study achieving the first-tier, high priority Prior Lake protection level of 905.5 feet above sea level for the 25-year return period. It is expected that the District will discuss and possibly set a new flood reduction goal in 2024. The District also worked with Scott SWCD to identify potential flood control projects and perform preliminary outreach to landowners for two potential flood reduction projects to gauge landowner interest and support for these projects. For one project, landowners were not interested in pursuing the project. A determination on the second project will be made in 2024.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to District Administrator, Prior Lake - Spring Lake Watershed District, 4646 Dakota Street SE, Prior Lake, MN 55372.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

PRIOR LAKE - SPRING LAKE
WATERSHED DISTRICT
PRIOR LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

Prior Lake - Spring Lake Watershed District
Prior Lake, Minnesota
Statement of Net Position
December 31, 2023

	Governmental Activities
Assets	
Cash and temporary investments	$ 3,659,458
Receivables	
Accounts	625
Delinquent taxes	17,941
Due from other governments	7,056
Prepaid items	9,887
Capital assets	
Land and permanent easements	615,920
Depreciable assets, net of accumulated depreciation	551,574
Total Assets	4,862,461
Deferred Outflows of Resources	
Deferred pension resources	73,518
Liabilities	
Accounts payable	180,128
Accrued salaries payable	18,361
Permit collateral deposits payable	124,395
Deposits payable	2,827
Unearned revenue	94,718
Noncurrent liabilities	
Due within one year	
Long-term liabilities	35,858
Due in more than one year	
Net pension liability	268,411
Total Liabilities	724,698
Deferred Inflows of Resources	
Deferred pension resources	105,106
Net Position	
Investment in capital assets	1,167,494
Restricted	
Prior Lake outlet channel	342,936
Unrestricted	2,595,745
Total Net Position	$ 4,106,175

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

Prior Lake - Spring Lake Watershed District
Prior Lake, Minnesota
Statement of Activities
For The Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities				
General government	$ 734,312	$ 3,389	$ -	$ (730,923)
Programs	753,022	-	106,233	(646,789)
Total	$ 1,487,334	$ 3,389	$ 106,233	(1,377,712)
General Revenues				
Property taxes				1,910,440
Unrestricted investment earnings				125,740
Total General Revenues				2,036,180
Change in Net Position				658,468
Net Position, January 1				3,447,707
Net Position, December 31				$ 4,106,175

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

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FUND FINANCIAL STATEMENTS

PRIOR LAKE - SPRING LAKE
WATERSHED DISTRICT
PRIOR LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

Prior Lake - Spring Lake Watershed District
Prior Lake, Minnesota
Balance Sheet
Governmental Funds
December 31, 2023

	405 General Fund	509 Implementation Fund	830 JPA/MOA Operations Fund	850 JPA/MOA Emergency Fund	Total Governmental Funds
Assets					
Cash and temporary investments	$ 456,008	$ 2,750,779	$ 192,671	$ 260,000	$ 3,659,458
Receivables					
Accounts	41	475	109	-	625
Delinquent taxes	2,332	15,609	-	-	17,941
Due from other governments	250	6,806	-	-	7,056
Prepaid items	2,387	7,500	-	-	9,887
Total Assets	$ 461,018	$ 2,781,169	$ 192,780	$ 260,000	$ 3,694,967
Liabilities					
Accounts payable	$ 3,494	$ 100,323	$ 14,114	$ -	$ 117,931
Accrued salaries payable	9,386	7,963	1,012	-	18,361
Permit collateral deposits payable	58,966	65,429	-	-	124,395
Deposits payable	-	2,827	-	-	2,827
Unearned revenue	-	-	94,718	-	94,718
Due to other governments	62,197	-	-	-	62,197
Total Liabilities	134,043	176,542	109,844	-	420,429
Deferred Inflows of Resources					
Unavailable revenue	2,332	15,609	-	-	17,941
Fund Balances					
Nonspendable	2,387	7,500	-	-	9,887
Restricted for					
Prior Lake outlet channel	-	-	82,936	260,000	342,936
Committed for					
Implementation of specific projects and programs	-	1,322,000	-	-	1,322,000
Assigned for					
General water resources management plan implementation		1,259,518			1,259,518
Unassigned	322,256	-	-	-	322,256
Total Fund Balances	324,643	2,589,018	82,936	260,000	3,256,597
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 461,018	$ 2,781,169	$ 192,780	$ 260,000	$ 3,694,967

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

Prior Lake - Spring Lake Watershed District
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2023

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

Total Fund Balances - Governmental	$ 3,256,597
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	2,343,026
Less accumulated depreciation	(1,175,532)
Noncurrent liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(35,858)
Net pension liability	(268,411)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore, are unavailable in the funds.	
Delinquent taxes receivable	17,941
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflow of resources	73,518
Deferred inflow of resources	(105,106)
Total Net Position - Governmental Activities	$ 4,106,175

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

Prior Lake - Spring Lake Watershed District
Prior Lake, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended December 31, 2023

	405 General Fund	509 Implementation Fund	830 JPA/MOA Operations Fund	850 JPA/MOA Emergency Fund	Total Governmental Funds
Revenues					
Property taxes	$ 249,070	$ 1,660,913	$ -	$ -	$ 1,909,983
Intergovernmental					
Reimbursements/grants	-	65,057	41,176	-	106,233
Interest on investments	22,311	86,570	6,759	10,100	125,740
Miscellaneous	398	2,991	-	-	3,389
Total Revenues	271,779	1,815,531	47,935	10,100	2,145,345
Expenditures					
Current					
General government	254,816	412,910	59,406	-	727,132
Program costs	-	669,817	65,377	-	735,194
Total Expenditures	254,816	1,082,727	124,783	-	1,462,326
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,963	732,804	(76,848)	10,100	683,019
Other Financing Sources (Uses)					
Transfers in	-	-	195,521	-	195,521
Transfers out	-	(185,421)	-	(10,100)	(195,521)
Total Other Financing Sources (Uses)	-	(185,421)	195,521	(10,100)	-
Net Change in Fund Balances	16,963	547,383	118,673	-	683,019
Fund Balances, January 1	307,680	2,041,635	(35,737)	260,000	2,573,578
Fund Balances, December 31	$ 324,643	$ 2,589,018	$ 82,936	$ 260,000	$ 3,256,597

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

Prior Lake - Spring Lake Watershed District
Prior Lake, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For The Year Ended December 31, 2023

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

Total Net Change in Fund Balances - Governmental Funds	$	683,019
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays		8,822
Depreciation expense		(26,650)
Long-term pension activity is not reported in governmental funds.		
Pension expense		521
Pension other revenue		33
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.		
Property taxes		457
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(7,734)
Change in Net Position - Governmental Activities	$	658,468

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

Prior Lake - Spring Lake Watershed District

Prior Lake, Minnesota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For The Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Property taxes	$ 249,200	$ 249,200	$ 249,070	$ (130)
Interest on investments	3,000	3,000	22,311	19,311
Miscellaneous	-	-	398	398
Total Revenues	252,200	252,200	271,779	19,579
Expenditures				
Current				
General government	252,200	252,200	254,816	(2,616)
Net Change in Fund Balances	-	-	16,963	16,963
Fund Balances, January 1	307,680	307,680	307,680	-
Fund Balances, December 31	$ 307,680	$ 307,680	$ 324,643	$ 16,963

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

Prior Lake - Spring Lake Watershed District

Prior Lake, Minnesota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Implementation Fund
For The Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Property taxes	$ 1,670,736	$ 1,670,736	$ 1,660,913	$ (9,823)
Intergovernmental				
Reimbursements/grants	120,664	120,664	65,057	(55,607)
Interest on investments	67,200	67,200	86,570	19,370
Miscellaneous	-	-	2,991	2,991
Total Revenues	1,858,600	1,858,600	1,815,531	(43,069)
Expenditures				
Current				
General government	541,900	492,900	412,910	79,990
Program costs	1,413,500	1,471,400	669,817	801,583
Total Expenditures	1,955,400	1,964,300	1,082,727	881,573
Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,800)	(105,700)	732,804	838,504
Other Financing Uses				
Transfers out	(185,500)	(185,500)	(185,421)	79
Net Change in Fund Balances	(282,300)	(291,200)	547,383	838,583
Fund Balances, January 1	2,041,635	2,041,635	2,041,635	-
Fund Balances, December 31	$ 1,759,335	$ 1,750,435	$ 2,589,018	$ 838,583

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

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Prior Lake - Spring Lake Watershed District (the District), Prior Lake, Minnesota, was established on March 4, 1970 by order of the Minnesota Water Resources Board (MWRB), which is now the Minnesota Board of Water and Soil Resources (BWSR) under the authority of the Minnesota Watershed Act (Minnesota Statutes, Chapter 112). The order was in response to a petition filed with the MWRB by residents within the watershed on June 24, 1969.

The Mission of the District is to manage and preserve water resources of the District to the best of its ability using input from the community, sound engineering practices, and its ability to efficiently fund beneficial projects which transcend political jurisdictions.

The District is governed by a Board of Managers which consists of five members. The Board of Managers exercises legislative authority and determines all matters of policy. The Board of Managers appoints personnel responsible for the proper administration of all affairs relating to the District's activities.

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

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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.

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

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 District reports the following major governmental funds:

The *General fund* is the District's primary operating fund. It accounts for all financial resources not accounted for in a different fund of the District.

The *Implementation fund* was established pursuant to Minnesota statutes for funding related to the development and implementation of the District's watershed management plan. By law, this plan must contain a capital improvement plan which allows watershed districts to implement projects without petition. The District may impose an ad valorem levy over the entire watershed or sub watershed to fund these projects or allow funds to accumulate to finance these capital improvement projects. The property tax levy is committed to execute the water resources management plan as filed with the Board of Water and Soil Resources.

The *JPA/MOA Operations fund* was established to account for activity necessary to monitor the status of the Outlet Channel and ensure the stability and continued performance of the Outlet Channel associated with the cost sharing agreement.

The *JPA/MOA Emergency fund* was established to account for any major unexpected and necessary expenditures relating to the JPA/MOA agreement.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

Deposits and Investments

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

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

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

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements are listed in detail on page 47 and are valued using quoted market prices (Level 2 inputs).

Note 1: Summary of Significant Accounting Policies (Continued)

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

Property Tax Revenue Recognition

The Board of Managers annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the District, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the District on or before July 7 and December 2 of the same year. The District has no ability to enforce payments of property taxes by property owners. The County possesses this authority.

Government-wide Financial Statements. The District recognizes property tax revenue in the period for which taxes were levied.

Governmental Fund Financial Statements. The District recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the District in July, December, and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the District the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the District in January is fully offset by unavailable revenue because they are not available to finance current expenditures.

Interfund Receivable and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Accounts Receivable

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and are recorded as prepaid items. The District uses the consumption method to account for all prepaid items.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include land, land improvements, easements and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 (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 acquisition value at the date of donation.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Useful Lives in Years
Land Improvements	50
Equipment	5 - 10

Deferred Outflows of Resources

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

Pensions

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

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused paid time off. All paid time off that is vested as severance pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of Statement of Government Accounting Standard No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive paid time off. The General fund is typically used to liquidate governmental compensated absences payable.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The recognition of bond premiums and discounts as are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District 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 governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds. The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has formally adopted a fund balance policy.

Net Position

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

a. Investment in capital assets - Consists of capital assets, net of accumulated depreciation

b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

The Board of Managers adopts an annual budget for the General and Implementation funds of the District on an annual basis. During the budget year, supplemental appropriations and deletions are or may be authorized by the Board of Managers. There were amendments to the budget during 2023. The modified accrual basis of accounting is used by the District for budgeting data. All appropriations end with the fiscal year for which they were made.

The District monitors budget performance on the fund basis. All amounts over budget have been approved by the Board of Managers through the disbursement process.

The District does not use encumbrance accounting.

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2023, expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	$ 252,200	$ 254,816	$ 2,616

The excess of expenditures over appropriations were funded with revenues in excess of budget.

Note 3: Detailed Notes on Accounts

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party.

In accordance with Minnesota statutes and as authorized by the Board of Managers, the District maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

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

Authorized collateral in lieu of a corporate surety bond includes:

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

Note 3: Detailed Notes on Accounts (Continued)

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

Investments

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 1	Level 2	Level 3
Pooled Investments (at Amortized Cost)						
4M Fund	N/A	less than 1 year	$ 1,998,858			
Non-pooled Investments						
Negotiable certificates of deposit	AA+	less than 1 year	1,660,600	$ -	$ 1,660,600	$ -
Total			$ 3,659,458	$ -	$ 1,660,600	$ -

(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.

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

Investments	$ 3,659,458

The investments of the District 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 and the District's investment policy limit the Districts investments to the list on page 41 of the notes. The District's investment policy specifically limits investments to the following:
    - Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued by the United States of America and its agencies
    - Interest bearing checking and savings accounts, or any other investments constituting direct obligations of any FDIC financial institution
    - Certificates of deposit with federally insured institutions that are collateralized or insured in excess of the $250,000 provided by the Federal Deposit Insurance Corporation coverage limit
    - Money market accounts that are 100 percent invested in above referenced government securities
    - Commercial paper issued by corporations organized in the United States with assets exceeding $500,000,000, of highest quality category by at least two of the three standard rating agencies, maturing in 270 days. The total investment in any one corporation cannot exceed 10 percent of that corporation's outstanding obligations and cannot be more than $500,000
    - Investments may be made only in those savings banks or saving and loan associations the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation
    - Investment products that are considered as derivatives are specifically excluded from approved investments

Note 3: Detailed Notes on Accounts (Continued)

- *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. The District's investment policy states that collateral must be placed in safekeeping at or before the time the investments are purchased if the investment is not fully covered by FDIC insurance.

- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. According to the District's investment policy, it is the policy of the District to diversify its investment portfolio. Investment shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. Diversification strategies shall be determined and revised periodically by the District.

- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the District's investment policy, no investment maturity shall extend beyond five years to reduce this risk.

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated				
Land	$ 37,800	$ -	$ -	$ 37,800
Permanent easements	578,120	-	-	578,120
Total Capital Assets, not being Depreciated	615,920	-	-	615,920
Capital Assets, being Depreciated				
Land improvements	1,566,612		-	1,566,612
Equipment	151,672	8,822	-	160,494
Total Capital Assets being Depreciated	1,718,284	8,822	-	1,727,106
Less Accumulated Depreciation for				
Land improvements	(1,120,022)	(13,826)	-	(1,133,848)
Equipment	(28,860)	(12,824)	-	(41,684)
Total Accumulated Depreciation	(1,148,882)	(26,650)	-	(1,175,532)
Total Capital Assets being Depreciated, Net	569,402	(17,828)	-	551,574
Governmental Activities Capital Assets, Net	$ 1,185,322	$ (17,828)	$ -	$ 1,167,494

The full depreciation expense amount was charged to programs.

Note 3: Detailed Notes on Accounts (Continued)

C. Interfund Receivables, Payables, and Transfers

The following interfund transfers were made during 2023:

- The Implementation fund transferred $185,421 to the JPA/MOA Operations fund. This interfund transfer represents the District's cost-share allocation for the funds established pursuant to the Memorandum of Agreement for construction, use, operation and maintenance of the Prior Lake Outlet Channel and Outlet Structure. The JPA/MOA Emergency fund transferred $10,100 to the JPA/MOA Operations fund to transfer excess interest in accordance with the cost share agreement.

D. Long-term Liabilities

Changes in Long-term Liabilities

During the year ended December 31, 2023, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Compensated absences payable	$ 28,124	$ 36,979	$ (29,245)	$ 35,858	$ 35,858

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employee Plan Benefits

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

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

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

C. Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the years ending December 31, 2023, 2022 and 2021 were $30,823, $28,365 and $28,148, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2023, the District reported a liability of $268,411 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $7,351. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0048 percent at the end of the measurement period and 0.005 percent for the beginning of the period.

District Proportionate Share of the Net Pension Liability	$	268,411
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the District		7,351
Total	$	275,762

For the year ended December 31, 2023, the District recognized pension expense of $30,269 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $33 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 8,903	$ 2,081
Changes in Actuarial Assumptions	48,739	73,569
Net Difference Between Projected and Actual Investment Earnings	-	17,266
Changes in Proportion	-	12,190
Contributions Paid to PERA Subsequent to the Measurement Date	15,876	-
Total	$ 73,518	$ 105,106

The $15,876 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	$ (612)
2025	(48,728)
2026	7,699
2027	(5,823)

E. Long-term Expected Return on Investment

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

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

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

F. Actuarial Assumptions

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

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022.

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

<u>General Employees Fund</u>

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

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

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

H. Pension Liability Sensitivity

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

	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	$ 474,840	$ 268,411	$ 98,615

I. Pension Plan Fiduciary Net Position

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

Note 5: Other Information

A. Risk Management

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

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

B. Permit Collateral Deposits Payable

The District issues permits to applicants who wish to make changes to land that may affect the water drainage or alter the lake shore within the boundaries of the District. The District requires collateral to be deposited to ensure the projects are completed in accordance with the permit application. As of December 31, 2023, the District was holding $124,395 of collateral deposits.

C. Cost Sharing Agreement

On October 17, 2007, the District entered into a Joint Powers Agreement with the City of Prior Lake and the City of Shakopee. At the same time, the District also entered into a Memorandum of Agreement with the City of Prior Lake, the City of Shakopee, and the Shakopee Mdewakanton Sioux Community. The purpose of both agreements is to share costs for construction, use, and operation of the Prior Lake outlet channel. The Memorandum of Agreement for the Use, Operation, and Maintenance of the Prior Lake Outlet Channel and Structure Between the Prior Lake-Spring Lake Watershed District, the City of Prior Lake, the City of Shakopee, and the Shakopee Mdewakanton Sioux Community was subsequently updated and approved, with an effective date of May 2, 2019.

For the year ended December 31, 2023, the District recognized cost reimbursement revenue of $41,176 and $94,718 unearned revenue.

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REQUIRED SUPPLEMENTARY INFORMATION

PRIOR LAKE - SPRING LAKE
WATERSHED DISTRICT
PRIOR LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/23	0.0048 %	$ 268,411	$ 7,351	$ 275,762	$ 379,546	70.7 %	83.1 %
06/30/22	0.0050	396,002	11,504	407,506	371,521	106.6	76.7
06/30/21	0.0054	230,604	7,087	237,691	390,978	59.0	87.0
06/30/20	0.0052	311,764	9,685	321,449	373,317	83.5	79.0
06/30/19	0.0053	293,025	9,166	302,191	375,703	78.0	80.2
06/30/18	0.0047	260,737	8,633	269,370	317,093	82.2	79.5
06/30/17	0.0045	287,277	3,645	290,922	286,665	100.2	75.9
06/30/16	0.0043	349,139	-	349,139	273,072	127.9	68.9
06/30/15	0.0036	186,571	-	186,571	208,266	89.6	78.2

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

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2023	$ 30,823	$ 30,823	$ -	$ 410,974	7.5 %
12/31/2022	28,365	28,365	-	378,194	7.5
12/31/2021	28,148	28,148	-	375,303	7.5
12/31/2020	28,460	28,460	-	379,468	7.5
12/31/2019	27,359	27,359	-	364,783	7.5
12/31/2018	26,684	26,684	-	355,787	7.5
12/31/2017	22,312	22,312	-	297,493	7.5
12/31/2016	20,643	20,643	-	275,235	7.5
12/31/2015	18,844	18,844	-	251,252	7.5

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

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

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

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

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

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

The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

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

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

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

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

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

Changes in Plan Provisions

2023 - Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023. Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100% after 10 years. A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024. Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation. The total and permanent duty disability benefit was increased, effective July 1, 2023.

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

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

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

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

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

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

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

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

OTHER REQUIRED REPORT

PRIOR LAKE - SPRING LAKE
WATERSHED DISTRICT
PRIOR LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Board of Managers
Prior Lake - Spring Lake Watershed District
Prior Lake, 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 each major fund of the Prior Lake - Spring Lake Watershed District (the District), Prior Lake, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 19, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as item 2023-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The District's response to the finding in our audit is described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Abdo

Abdo
Minneapolis, Minnesota
April 19, 2024

Prior Lake-Spring Lake Watershed District
Prior Lake, Minnesota
Schedule of Finding and Response
December 31, 2023

Finding	Description
2023-001	**Time Period for Payment**
Condition:	Auditing for legal compliance requires a review of the District's payment of claims. Our audit indicated an instance of non-compliance. We noted four instances out of a sample of 25 invoices that were paid after the 35-day period.
Criteria:	Minnesota statute section 471.425 requires that the District pay bills within 35 days from receipt. If the invoice is not paid within 35 days, interest at 1.5 percent per month is to be added to amount due.
Cause:	Unknown.
Effect:	The District is out of compliance with this statute.
Recommendation:	We recommend that the District develop policies and procedures related to the accounts payable cycle to avoid late payments. These policies and procedures should include payment terms that are outlined within State statutes.

Management Response:

The District will work with vendors and staff to ensure invoices are received with sufficient time to review and pay within the Statute's requirements.