

PIONEER-SARAH CREEK WATERSHED
MANAGEMENT COMMISSION

Financial Statements and
Supplemental Information
For the Year Ended
December 31, 2023

Pioneer-Sarah Creek Watershed Management Commission

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INDEPENDENT AUDITORS' REPORT

Commissioners
Pioneer-Sarah Creek Watershed Management Commission
Plymouth, Minnesota

Opinion

We have audited the accompanying financial statements of the governmental activities and major fund of the Pioneer-Sarah Creek Watershed Management Commission (the Commission), which comprise the statement of net position and governmental fund balance sheet as of December 31, 2023, and the related statement of activities and governmental fund revenues, expenditures and changes in fund balances/net position for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. 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 Commission 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that,



individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Prior Year Comparative Information

We have previously audited the Commission's financial statements for the year ended December 31, 2022 and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund in our report dated June 28, 2023. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting

We have also issued our report dated June 20, 2024, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

Johnson & Company, Ltd.

June 20, 2024

BASIC FINANCIAL STATEMENTS

PIONEER-SARAH CREEK WATERSHED MANAGEMENT COMMISSION

Statement of Net Position and
Governmental Fund Balance Sheet

As of December 31, 2023

(with Partial Comparative Actual Amounts as of December 31, 2022)

| | Governmental Activities | |
|--|-------------------------|-------------------|
| | 2023 | 2022 |
| Assets | | |
| Cash and temporary investments | \$ 614,314 | \$ 558,415 |
| Restricted cash | 176,910 | 129,262 |
| Due from other governments | - | 41,600 |
| Total assets | \$ 791,224 | \$ 729,277 |
| Liabilities and Fund Balances/Net Position | | |
| Liabilities | | |
| Accounts payable | \$ 2,736 | \$ 62,009 |
| Unearned revenue | 176,910 | 129,262 |
| Total liabilities | 179,646 | 191,271 |
| Fund balances/net position | | |
| Assigned fund balances/net position | | |
| Assigned for capital improvement projects | 203,127 | 165,127 |
| Assigned for fourth generation plan | 25,000 | 25,000 |
| Total assigned funds | 228,127 | 190,127 |
| Unrestricted/unassigned fund balances/net position | 383,451 | 347,879 |
| Total assigned and unrestricted/unassigned fund balances/net position | 611,578 | 538,006 |
| Total fund balances/net position | 611,578 | 538,006 |
| Total liabilities and fund balances/net position | \$ 791,224 | \$ 729,277 |

PIONEER-SARAH CREEK WATERSHED MANAGEMENT COMMISSION

Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances/Net Position
Budget and Actual

Year Ended December 31, 2023

(with Partial Comparative Actual Amounts for the Year Ended December 31, 2022)

| | Governmental Activities | | | 2022 (Audited) |
|---|------------------------------|-------------------|------------------|-------------------|
| | Original and Final Budget | 2023 (Audited) | Over (Under) | |
| Revenue | | | | |
| Member assessments | \$ 131,800 | \$ 131,800 | \$ - | \$ 131,800 |
| Charges for services - project and wetland review fees | 6,000 | 6,250 | 250 | 51,812 |
| Grants | 79,612 | 227,455 | 147,843 | 34,701 |
| Reimbursements | - | 50 | 50 | 4,792 |
| Interest income | 70 | 42,406 | 42,336 | 10,609 |
| Total revenue | 217,482 | 407,961 | 190,479 | 233,714 |
| Expenditures | | | | |
| Current | | | | |
| Administration | 45,000 | 33,392 | (11,608) | 27,397 |
| Education | 3,000 | 540 | (2,460) | 725 |
| Insurance | 2,800 | 2,970 | 170 | 2,435 |
| Professional fees | 5,000 | 4,948 | (52) | 4,775 |
| Technical support | 25,000 | 21,343 | (3,657) | 43,373 |
| Water monitoring | 24,124 | 23,364 | (760) | 23,460 |
| Watershed programs | 12,000 | 12,000 | - | 10,000 |
| Watershed plan | 2,000 | 3,376 | 1,376 | 393 |
| Capital outlay | | | | |
| Improvement projects - commission funds | 28,000 | 5,000 | (23,000) | 22,070 |
| Improvement projects - grants | 79,612 | 227,456 | 147,844 | 57,209 |
| Total expenditures | 226,536 | 334,389 | 107,853 | 191,837 |
| Net change in fund balances/net position | \$ (9,054) | 73,572 | \$ 82,626 | 41,877 |
| Net fund balances/net position | | | | |
| Beginning of year | | 538,006 | | 496,129 |
| End of year | | <u>\$ 611,578</u> | | <u>\$ 538,006</u> |

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements
December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization

The Pioneer-Sarah Creek Watershed Management Commission is formed under a Joint Powers Agreement, as amended according to Minnesota Statutes Sections 103B.201 through 103B.255 and Minnesota Rules Chapter 8410 relating to Metropolitan Area Local Water Management and its reporting requirements. Pioneer-Sarah Creek Watershed Management Commission was established in October, 1984 to protect and manage the natural resources of the Pioneer-Sarah Creek Watershed.

The Commission is considered a governmental unit but is not a component unit of any of its members. As a governmental unit, the Commission is exempt from federal and state income taxes.

Reporting Entity

A joint venture is a legal entity resulting from a contractual agreement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain either an ongoing financial interest or an ongoing financial responsibility. The Commission is considered a joint venture.

As required by accounting principles generally accepted in the United States of America, these financial statements include the Commission (the primary government) and its component units. Component units are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component's unit board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or is fiscally depended upon by the potential component unit. Based on these criteria, there are no component units required to be included in the Commission's financial statements.

Government-Wide and Fund Financial Statement Presentation

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information about the reporting government as a whole. These statements include all the financial activities of the Commission. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and grants or contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other internally directed revenues are reported instead as general revenues.

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements (continued)

December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statement Presentation

The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, expenditures, additions, and deductions. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The resources of the Commission are accounted for in one fund:

- **General Fund (Governmental Fund Type)** – This fund is used to receive dues and miscellaneous items which may be disbursed for any and all purposes authorized by the bylaws of the Commission.

Typically, separate fund financial statements are provided for Governmental Funds. However, due to the simplicity of the Commission's operation, the Governmental Fund financial statements have been combined with the government-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and deferred inflows/outflows of resources generally are included on the statement of net position and governmental funds balance sheet. Operating statements of this fund present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under this basis of accounting, transactions are recorded in the following manner:

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if collected 60 days after year-end. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met. Grant advances received for which not all eligibility requirements have been met are reported as unearned revenue at year-end. All significant revenue sources are considered susceptible to accrual.
2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred; however, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used.

Budgets

The amounts shown in the financial statements as “budget” represent the budget amounts based on the modified accrual basis of accounting. A budget for the General Fund is adopted annually by the Commission. Appropriations lapse at year-end. Budgetary control is at the fund level.

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Members' Contributions

Members' contributions are calculated based on the member's share of the taxable market value of all real property within the watershed to the total taxable market value of all real property in the watershed.

Capital Assets

The Commission follows the policy of expensing any supplies or small equipment at the time of purchase. The Commission currently has no capitalized assets.

Risk Management

The Commission is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; error and omissions; and natural disasters. The Commission participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property, casualty, and other miscellaneous insurance coverages. LMCIT operates as a common risk management and insurance program for a large number of cities in Minnesota. The Commission pays an annual premium to LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage during the year ended December 31, 2023.

Due from other governments

The Commission utilizes an allowance for uncollectible accounts to value its receivables; however it considers all of its receivables to be collectible as of December 31, 2023 and 2022.

Net Position

In the government-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (continued)

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

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

Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

The Commission applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2022, from which the summarized information was derived. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Grants Receivable

As of December 31, 2022, the Commission had received \$478,400 of grant money and cost-share funding and incurred \$498,628 of direct project costs. Grants receivable, included in due from other governments, was \$41,600 at December 31, 2022 and received during 2023. This project was substantially complete as of December 31, 2022. BWSR has given the Commission approval to re-allocate the remaining grant funds to other Clean Water projects.

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements (continued)

December 31, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

The Commission recognizes grant revenue as it becomes eligible to receive the grant. If the grant has restrictions that have not been satisfied, the revenue is deferred until the Commission has satisfied them.

In 2019, the Commission was awarded a grant of \$58,317 from the Board of Water and Soil Resources as part of the Watershed Based Funding Grants Program. The Commission allocated this grant to stream stabilization and shoreline restoration at Lake Ardmore. Total project costs were \$93,179. The Commission contributed \$4,500, and the City of Medina contributed \$24,500. The Three Rivers Park District provided in-kind services worth \$18,700. As of December 31, 2021, the Commission had received \$52,486 of the grant money and incurred \$45,479 expenditures. The project was substantially complete as of December 31, 2022. Unearned revenue was \$7,007 as of December 31, 2022 and was returned during 2023.

In 2021, the Commission was awarded a WBIF grant of \$271,168 for projects in the North and South Fork Crow major watershed. During 2021, the Commission received \$135,585 of the grant money. The Commission incurred grant expenses of \$44,428 and \$13,330 during 2023 and 2022. Unearned revenue was \$77,827 and \$122,525 as of December 31, 2023 and 2022.

In 2023, the Commission was awarded a WBIF grant of \$159,223 for projects in Lake Rebecca and GS68 Pond Scrape. During 2023, the Commission received \$79,612 of the grant money. The Commission incurred no grant expenses during 2023. Unearned revenue was \$79,612 as of December 31, 2023.

In 2023, the Commission was awarded a Clean Water Fund (CWF) grant of \$405,000 for Whitetail Lake. During 2023, the Commission received \$202,500 of the grant money. The Commission incurred grant expenses of \$183,028 during 2023. Unearned revenue was \$19,471 as of December 31, 2023.

Subsequent Events

Management has evaluated subsequent events through June 20, 2024 which is the date the financial statements were available to be issued.

NOTE 2 – ASSETS, LIABILITIES AND NET POSITION

A. Deposits

In accordance with applicable Minnesota Statutes, the Commission maintains a checking account authorized by the Commission.

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2023

NOTE 2 – ASSETS, LIABILITIES AND NET POSITION (CONTINUED)

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the Commission’s deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the 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 Commission has no additional deposit policies addressing custodial credit risk.

At year-end, the Commission had no funds held in its bank account. All funds were transferred to their 4M Fund investment account. (see below)

B. Investments

At December 31, 2023 and 2022, the Commission held \$791,224 and \$687,677 (approximate cost and fair value), respectively, in investments with PMA Financial Network in Minnesota 4M Funds Holdings.

The Minnesota Municipal Money Market (4M) Fund is an external investment pool regulated by Minnesota Statutes that are not registered with the Securities Exchange Commission (SEC), but follow the regulatory rules of the SEC. The Commission’s investment in these funds is measured at the value per share provided by the pool, which are based on an amortized cost method that approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Fund.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the Commission would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a formal investment policy addressing this risk, but typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2023

NOTE 2 – ASSETS, LIABILITIES AND NET POSITION (CONTINUED)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the Commission’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase 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; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The Commission’s investment policies do not further address credit risk.

Concentration Risk – This is the risk associated with investing a significant portion of the Commission’s investment (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The Commission does not have an investment policy limiting the concentration of investments.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The Commission does not have an investment policy limiting the duration of investments.

NOTE 3 – FUND BALANCE CLASSIFICATIONS

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. The classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by the state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the Board of Commissioners. Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2023

NOTE 3 – FUND BALANCE CLASSIFICATIONS (CONTINUED)

- **Assigned** – Consists of internally imposed constraints consisting of amounts intended to be used by the Commission for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.
- **Unassigned** – The residual classification for the General Fund; amounts that are available for any purpose.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the Commission’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 4 – MEMBERS’ ASSESSMENTS

Dues received from members were as follows:

| | Year Ended December 31 | | | | | |
|--------------|------------------------|---------------|----------|-------------------|---------------|----------|
| | 2023 | | | 2022 | | |
| | Amount | Percentage | | Amount | Percentage | |
| Greenfield | \$ 39,858 | 30.24 | % | \$ 39,249 | 29.78 | % |
| Independence | 47,966 | 36.39 | | 47,642 | 36.15 | |
| Loretto | 5,415 | 4.11 | | 5,397 | 4.09 | |
| Maple Plain | 10,201 | 7.74 | | 10,495 | 7.96 | |
| Medina | 13,295 | 10.09 | | 13,773 | 10.45 | |
| Minnetrista | 15,065 | 11.43 | | 15,244 | 11.57 | |
| | <u>\$ 131,800</u> | <u>100.00</u> | <u>%</u> | <u>\$ 131,800</u> | <u>100.00</u> | <u>%</u> |

OTHER REQUIRED REPORTS

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

Board of Directors
Pioneer-Sarah Creek Watershed Management Commission
Plymouth, MN

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and the major fund of the Pioneer-Sarah Creek Watershed Management Commission (the Commission) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 20, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. We did identify the following deficiencies in internal control that we consider to be significant deficiencies:

Because of the limited size of your office staff, your organization has limited segregation of duties. A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to completion. While we recognize that your organization is not large enough to permit an adequate segregation of duties in all respects, it is important that you be aware of the condition.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

June 20, 2024

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Pioneer-Sarah Creek Watershed Management Commission
Plymouth, 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 major fund of the Pioneer-Sarah Creek Watershed Management Commission (the Commission) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 20, 2024.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the provisions of the deposits and investments, conflicts of interest, contracting - bid laws, claims and disbursements, and miscellaneous provisions section of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes S6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Commission's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

PURPOSE OF THIS REPORT

This report is intended solely for the information and use of those charged with governance and management of the Pioneer-Sarah Creek Watershed Management Commission and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

June 20, 2024

Johnson & Company, Ltd.

