

**VADNAIS LAKE AREA WATER
MANAGEMENT ORGANIZATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021



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**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
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YEAR ENDED DECEMBER 31, 2021**

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INTRODUCTORY SECTION

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
 BOARD OF DIRECTORS AND APPOINTED OFFICIALS
 YEAR ENDED DECEMBER 31, 2021**

BOARD OF DIRECTORS

Name	Title	Member City
Jim Lindner	Chairperson	Gem Lake
Patricia Youker	Treasurer/Secretary	Vadnais Heights
Dan Jones	Vice-Chair	White Bear Lake
Rob Rafferty	Board Member	Lino Lakes
Ed Prudhon	Board Member	White Bear Township
Tom Watson	Board Member	North Oaks

TECHNICAL COMMISSION

Name	Title	Member City
Gloria Tessier	Chairperson	Gem Lake
Jesse Farrell	Vice-Chair	Vadnais Heights
Bob Larson	Treasurer	North Oaks
Terry Huntrods	Commissioner	White Bear Lake
Andy Nelson	Commissioner	Lino Lakes
Paul Duxbury	Commissioner	White Bear Township

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Vadnais Lake Area Water Management Organization (VLAWMO), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the VLAWMO's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the VLAWMO, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VLAWMO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VLAWMO's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the VLAWMO's 2020 financial statements of the governmental activities and the major fund, and we expressed unmodified opinions on those financial statements in our report dated April 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, the schedule of employer's share of PERA net pension liability, and the schedule of employer's share of PERA contributions on page 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 27, 2022

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

As management of the Vadnais Lake Area Water Management Organization (the Organization), Vadnais Heights, Minnesota, we offer readers of the Organization's financial statements this narrative overview and analysis of the financial activities of the Organization for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Organization exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$772,973 (*net position*). Of this amount, \$372,719 (*unrestricted net position*) may be used to meet the Organization's ongoing obligations.
- The Organization's total net position decreased by \$224,074.
- As of the close of the current fiscal year, the Organization's General Fund reported combined ending fund balances of \$1,018,639, an increase of \$155,434 in comparison with the prior year.
- The ending General Fund balance was \$1,018,639. Of this balance, \$326,118 is committed for purposes disclosed in the financial statements.
- The Organization's unrestricted cash and temporary investments as of December 31, 2021 increased to \$1,098,632 from \$877,871 as of December 31, 2020.

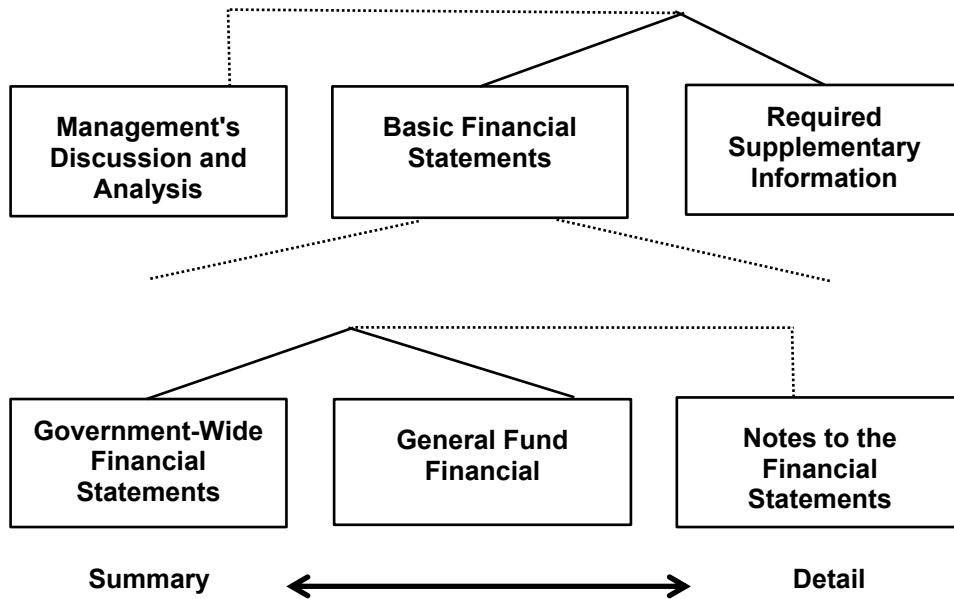
**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Overview of the Financial Statements

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

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

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



**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Overview of the Financial Statements (Continued)

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

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

	Fund Financial Statements	
	Government-Wide Statements	General Fund
Scope	Entire Organization	The activities of the Organization
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Organization's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Organization's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

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

The governmental activities of the Organization include general and administrative, programs, and projects.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Organization, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Organization currently only uses a general fund.

General Fund

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Organization, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$772,973 at the close of the most recent fiscal year.

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

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Government-Wide Financial Analysis (Continued)

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

	December 31,		Increase (Decrease)
	2021	2020	
ASSETS			
Current	\$ 2,203,679	\$ 1,876,788	\$ 326,891
Capital, Net of Accumulated Depreciation	400,254	441,914	(41,660)
Total Assets	<u>2,603,933</u>	<u>2,318,702</u>	<u>285,231</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Resources	164,464	39,524	124,940
LIABILITIES			
Current	1,266,906	1,046,453	220,453
Noncurrent	554,575	295,559	259,016
Total Liabilities	<u>1,821,481</u>	<u>1,342,012</u>	<u>479,469</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Resources	<u>192,254</u>	<u>19,167</u>	<u>173,087</u>
NET POSITION			
Net Investment in Capital Assets	400,254	441,914	(41,660)
Unrestricted	<u>354,408</u>	<u>555,133</u>	<u>(200,725)</u>
Total Net Position	<u>\$ 754,662</u>	<u>\$ 997,047</u>	<u>\$ (242,385)</u>

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

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Government-Wide Financial Analysis (Continued)

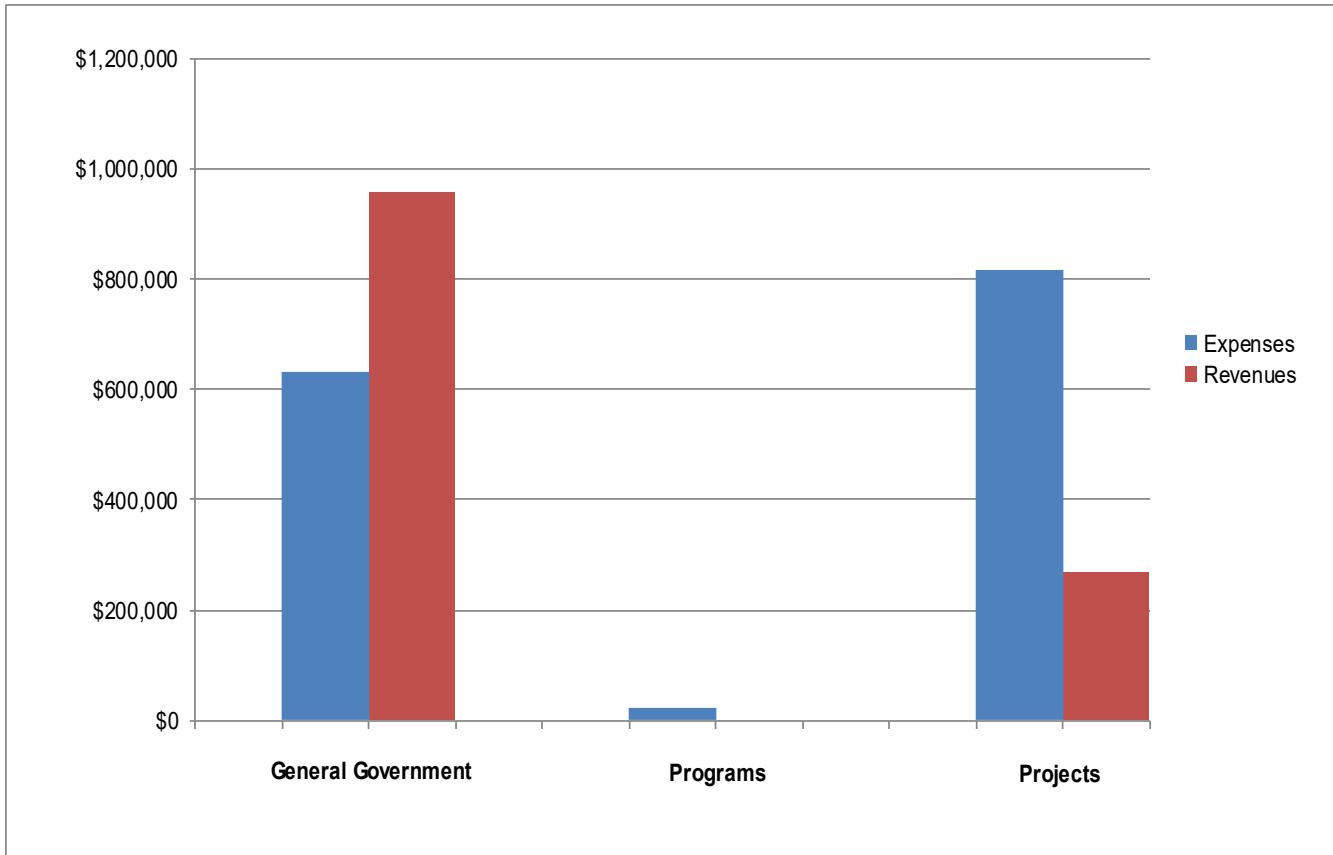
Vadnais Lake Area Water Management Organization's Changes in Net Position

	December 31,		Increase (Decrease)
	2021	2020	
REVENUES			
Program:			
Charges for Services	\$ 958,765	\$ 897,650	\$ 61,115
Operating Grants and Contributions	270,035	163,677	106,358
General:			
Unrestricted Investment Earnings	182	3,230	(3,048)
Total Revenues	<u>1,228,982</u>	<u>1,064,557</u>	<u>164,425</u>
EXPENSES			
General and Administrative	631,325	554,278	77,047
Programs	23,672	47,891	(24,219)
Projects	816,370	422,206	394,164
Total Expenses	<u>1,471,367</u>	<u>1,024,375</u>	<u>446,992</u>
CHANGE IN NET POSITION	(242,385)	40,182	(282,567)
Net Position - January 1	<u>997,047</u>	<u>956,865</u>	<u>40,182</u>
NET POSITION - DECEMBER 31	<u><u>\$ 754,662</u></u>	<u><u>\$ 997,047</u></u>	<u><u>\$ (242,385)</u></u>

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

Government-Wide Financial Analysis (Continued)

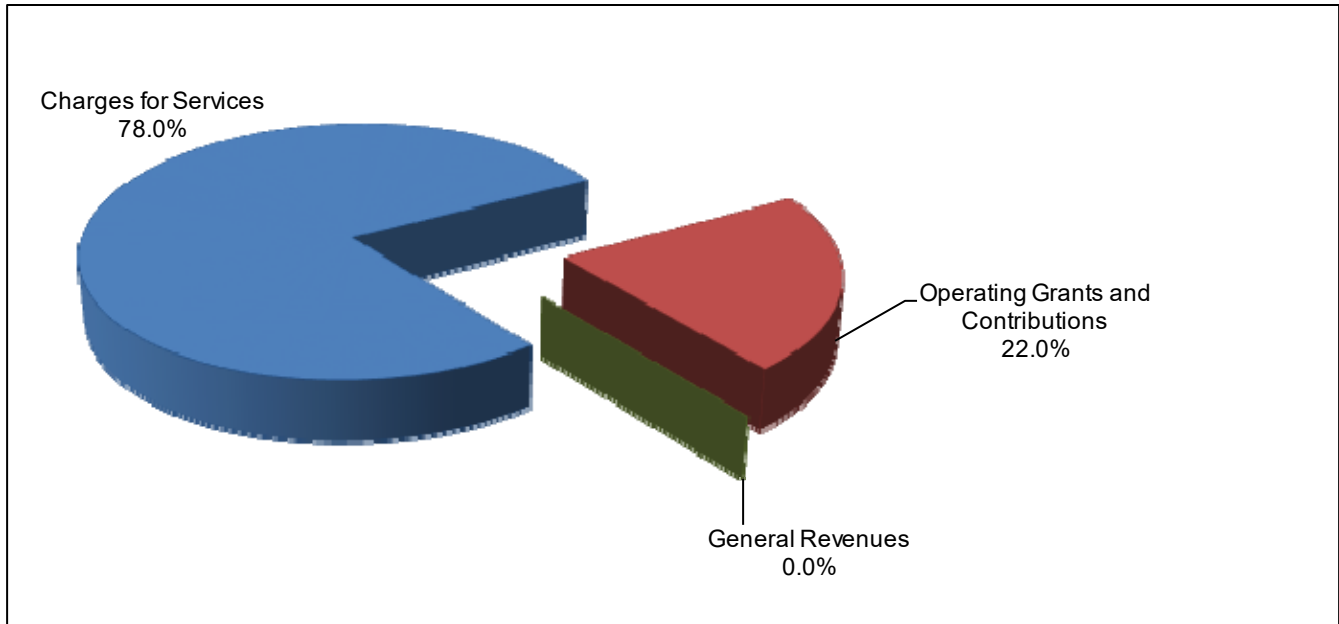
Expenses and Program Revenues – Governmental Activities



**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Government-Wide Financial Analysis (Continued)

Revenues by Source – Governmental Activities



Financial Analysis of the General Fund

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

General Fund

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

As of the end of the current fiscal year, the Organization's General Fund reported an ending fund balance of \$1,018,639, an increase of \$155,434 in comparison with the prior year. Approximately 68% of the total amount, \$692,521, constitutes unassigned fund balance, which is available for spending at the Organization's discretion. The remainder fund balance of \$326,118 is committed for purposes described in the notes to the financial statements. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 70% of 2021 fund expenditures and 103% of 2020 fund expenditures.

General Fund Budgetary Highlights

The Organization's General Fund budget was not amended during the year. Actual revenues were under budget by \$800,789, mainly due to the budget exceeding intergovernmental grants and having the loan proceeds from the Minnesota Pollution Control Agency loan being included in the intergovernmental grant budget. Expenditures were over budget with a variance of \$324,146 mostly due to project costs being higher than anticipated.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Capital Asset and Debt Administration

Capital Assets

The Organization's investment in capital assets for its governmental activities as of December 31, 2021, amounts to \$400,254 (net of accumulated depreciation).

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

Economic Factors and Next Year's Budgets

The Organization considered and prepared the 2022 budget based on the following factors:

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

All of these factors were considered in preparing the Organization's budget for the 2021 fiscal year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Governmental Activities
ASSETS	
Cash and Temporary Investments	\$ 1,098,632
Restricted Cash	21,038
Receivables:	
Accounts	29,519
Special Assessments	1,054,490
Capital Assets:	
Depreciable Assets, Net of Accumulated Depreciation	400,254
Total Assets	2,603,933
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Resources	164,464
LIABILITIES	
Accounts Payable	92,022
Escrow Deposits Payable	20,969
Salaries Payable	27,943
Due to Other Government	8,242
Unearned Revenue	1,026,703
Compensated Absences Payable:	
Due Within One Year	52,458
Due in More than One Year	17,486
Loan Payable	
Due Within One Year	38,569
Due in More than One Year	327,837
Net Pension Liability:	
Due in More than One Year	209,252
Total Liabilities	1,821,481
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Resources	192,254
NET POSITION	
Net Investment in Capital Assets	400,254
Unrestricted	354,408
Total Net Position	\$ 754,662

See accompanying Notes to Financial Statements.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
General and Administrative	\$ 631,325	\$ 958,765	\$ 270,035	\$ -	\$ 597,475
Programs	23,672	-	-	-	(23,672)
Projects	816,370	-	-	-	(816,370)
Total	<u>\$ 1,471,367</u>	<u>\$ 958,765</u>	<u>\$ 270,035</u>	<u>\$ -</u>	(242,567)
GENERAL REVENUES					
					182
					(242,385)
					997,047
					<u>\$ 754,662</u>

See accompanying Notes to Financial Statements.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
BALANCE SHEET
DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION AS OF DECEMBER 31, 2020)

	2021	2020
ASSETS		
Cash and Temporary Investments	\$ 1,098,632	\$ 877,871
Restricted Cash	21,038	21,036
Receivables:		
Accounts	29,519	10,000
Special Assessments	1,054,490	967,881
Total Assets	\$ 2,203,679	\$ 1,876,788
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 92,022	\$ 11,387
Escrow Deposits Payable	20,969	20,969
Salaries Payable	27,943	26,360
Due to Other Government	8,242	7,725
Unearned Revenue	1,026,703	938,693
Total Liabilities	1,175,879	1,005,134
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Special Assessments	9,161	8,449
FUND BALANCES		
Committed	326,118	206,840
Unassigned	692,521	656,365
Total Fund Balances	1,018,639	863,205
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,203,679	\$ 1,876,788

See accompanying Notes to Financial Statements.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021**

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

Total Fund Balances - Governmental	\$ 1,018,639
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of Capital Assets	666,851
Less: Accumulated Depreciation	(266,597)
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Loan Payable	(366,406)
Compensated Absences Payable	(69,944)
Pension Liability	(209,252)
Some receivables are not available soon enough to pay for the current periods expenditures, and therefore are unavailable in the funds.	
Special Assessments	9,161
Governmental funds do not report long-term amounts related to pensions.	
Deferred Outflows of Pension Resources	164,464
Deferred Inflows of Pension Resources	(192,254)
	(192,254)
Total Net Position - Governmental Activities	\$ 754,662

See accompanying Notes to Financial Statements.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021	2020
REVENUES		
Charges for Services	\$ 940,409	\$ 896,065
Intergovernmental Grants	270,035	163,665
Interest on Investments	182	3,230
Miscellaneous	17,644	798
Total Revenues	1,228,270	1,063,758
EXPENDITURES		
Current:		
General and Administrative	574,187	537,800
Programs	21,553	35,879
Projects	862,786	412,977
Total Expenditures	1,458,526	986,656
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(230,256)	77,102
OTHER FINANCING SOURCES		
Proceeds from Loan	385,690	-
NET CHANGE IN FUND BALANCES	155,434	77,102
Fund Balances - January 1	863,205	786,103
FUND BALANCES - DECEMBER 31	\$ 1,018,639	\$ 863,205

See accompanying Notes to Financial Statements.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

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

Total Net Change in Fund Balances - Governmental Funds	\$	155,434
<p>Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>		
Depreciation Expense		(41,660)
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>		
Special Assessments		712
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
<p>Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are:</p>		
		(385,690)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Principal Repayments		19,284
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension Expense		24,387
Compensated Absences		(14,852)
		(14,852)
Change in Net Position - Governmental Activities	\$	(242,385)

See accompanying Notes to Financial Statements.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amount
	Original	Final			
REVENUES					
Charges for Services	\$ 935,340	\$ 935,340	\$ 940,409	\$ 5,069	\$ 896,065
Intergovernmental Grants	1,090,519	1,090,519	270,035	(820,484)	163,665
Interest on Investments	3,000	3,000	182	(2,818)	3,230
Miscellaneous	200	200	17,644	17,444	798
Total Revenues	<u>2,029,059</u>	<u>2,029,059</u>	<u>1,228,270</u>	<u>(800,789)</u>	<u>1,063,758</u>
EXPENDITURES					
General and Administrative:					
Wages	383,307	383,307	361,692	21,615	368,701
Payroll Taxes and Employee Benefits	102,376	102,376	107,570	(5,194)	98,519
Legal	4,000	4,000	2,612	1,388	1,333
Professional Services	39,228	39,228	39,776	(548)	19,986
Information Systems	22,365	22,365	20,362	2,003	14,154
Insurance	7,000	7,000	6,476	524	6,352
Office	26,214	26,214	23,990	2,224	20,576
Staff Training	8,750	8,750	4,672	4,078	700
Telephone	-	-	4,070	(4,070)	3,300
Miscellaneous	6,300	6,300	2,967	3,333	4,179
Programs:					
Monitoring	37,000	37,000	21,553	15,447	35,879
Maintenance	56,540	56,540	-	56,540	-
Projects	441,300	441,300	862,786	(421,486)	412,977
Total Expenditures	<u>1,134,380</u>	<u>1,134,380</u>	<u>1,458,526</u>	<u>(324,146)</u>	<u>986,656</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	894,679	894,679	(230,256)	(476,643)	77,102
OTHER FINANCING SOURCES					
Proceeds from Issuance of Bonds	-	-	385,690	385,690	-
NET CHANGE IN FUND BALANCES	894,679	894,679	155,434	(862,333)	77,102
Fund Balances - January 1	<u>863,205</u>	<u>863,205</u>	<u>863,205</u>	<u>-</u>	<u>786,103</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 1,757,884</u></u>	<u><u>\$ 1,757,884</u></u>	<u><u>\$ 1,018,639</u></u>	<u><u>\$ (862,333)</u></u>	<u><u>\$ 863,205</u></u>

See accompanying Notes to Financial Statements.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Government-Wide and General Fund Financial Statements

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

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for the General Fund.

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

The General Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charges for service, assessments to members, grants, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Organization.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The Organization reports the following major governmental fund:

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

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Deposits and Investments

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

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments (Continued)

The Organization may also invest idle funds as authorized by Minnesota Statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of 13 months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Restricted Assets

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

Accounts Receivable

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

Special Assessments

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Organization as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

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

Infrastructure	15 to 30 Years
Equipment	5 to 7 Years

Long-Term Obligations

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

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows of Resources

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

Compensated Absences

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

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA 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.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the General Fund balance sheet. The General Fund reports unavailable revenues from one source: special assessments. The unavailable amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Furthermore, the Organization has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statement of net position, and results from actuarial calculations.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance

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

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

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

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

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

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

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

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

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net Position

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

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All annual appropriations lapse at year-end. The Organization does not use encumbrance accounting.

During the budget year, supplemental appropriations and deletions are or may be authorized by the board of directors. The budget was not amended by the board of directors in 2021. Actual expenditures exceeded budgeted expenditures in the following funds:

	Budget	Expenditures	Excess
General Fund	\$ 1,134,380	\$ 1,458,526	\$ 324,146

The overages were considered by management to be the result of necessary expenditures critical to operations and were approved by the board.

NOTE 3 DETAILED NOTES ON ACCOUNTS

Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Organization’s deposits may not be returned or the Organization will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota Statutes and as authorized by the board of directors, the Organization maintains deposits at those depository banks which are members of the Federal Reserve System.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ACCOUNTS (CONTINUED)

Deposits and Investments (Continued)

Deposits

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year-end, the Organization's carrying amount of deposits was \$20,111 and the bank balance was \$21,038. The entire bank balance was covered by federal depository insurance.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ACCOUNTS (CONTINUED)

Deposits and Investments (Continued)

Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations rated “A” or better; revenue obligations rated “AA” or better.
- General obligations of the Minnesota Housing Finance Agency rate “A” or better.
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Interest Rate Risk – Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Investments are categorized to give an indication of the level of interest rate risk assumed at year-end. Investments as of December 31, 2021 are as follows:

<u>Type of Investments</u>	<u>Credit Quality/ Ratings (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Fair Value and Carrying Amount</u>
Pooled Investments:			
Minnesota Trust Term Series	N/A	Less than 6 Months	\$ 775,200
Minnesota Municipal Money Market Fund	N/A	Less than 6 Months	324,204
Total Investments			<u>\$ 1,099,404</u>

(1) Ratings are provided by Moody's where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ACCOUNTS (CONTINUED)

Deposits and Investments (Continued)

Investments (Continued)

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the Organization’s investments to the list on page 30 of the notes.

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

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

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

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

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

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

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

Carrying Amounts of Deposits	\$ 20,242
Investments	1,099,404
Cash on Hand	24
Total	<u>\$ 1,119,670</u>
Cash and Investments	
Unrestricted	\$ 1,098,632
Restricted	21,038
Total	<u>\$ 1,119,670</u>

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ACCOUNTS (CONTINUED)

Fair Value Measurements

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

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

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

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

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

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

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

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

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ACCOUNTS (CONTINUED)

Restricted Assets

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

Mitigation Restricted Cash	<u>\$ 21,038</u>
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Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Being Depreciated:				
Infrastructure	\$ 635,476	\$ -	\$ -	\$ 635,476
Equipment	31,375	-	-	31,375
Total Capital Assets				
Being Depreciated	666,851	-	-	666,851
Less Accumulated Depreciation for:				
Infrastructure	(201,674)	(39,439)	-	(241,113)
Equipment	(23,263)	(2,221)	-	(25,484)
Total Accumulated Depreciation	<u>(224,937)</u>	<u>(41,660)</u>	<u>-</u>	<u>(266,597)</u>
Total Governmental Activities	<u>\$ 441,914</u>	<u>\$ (41,660)</u>	<u>\$ -</u>	<u>\$ 400,254</u>

The full depreciation expense amount was charged to projects.

Operating Lease

The Organization entered into a lease agreement with the City of Vadnais Heights for office space. The lease agreement has an effective period beginning January 1, 2021 and will be terminated on December 31, 2023.

The lease agreement calls for monthly payments for office space, as well as amounts for the Organizations portion of normal operating expenses, such as: janitorial, secretarial, office supplies, postage, utilities, IT support, and any other costs that arise.

The Organization paid \$22,860 for rent and other office expenses in 2021. The Organization's future obligations for rent and office expenses under their lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 23,520
2023	24,240
Total	<u>\$ 47,760</u>

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ACCOUNTS (CONTINUED)

Unearned Revenue

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

	Unearned
Special Assessments Receivable	\$ 1,026,703

Changes in Long-Term Liabilities

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

	Final Maturity Date	Interest Rate	Original Issue	Balance December 31, 2021
Governmental Activities:				
Clean Water Partnership Loan	June 15, 2031	0.00%	\$ 385,690	\$ 366,406
Compensated Absences Payable				69,944
Total				\$ 436,350

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

<u>Year Ending December 30,</u>	<u>Clean Water Partnership Loan Principal</u>
2022	\$ 38,569
2023	38,569
2024	38,569
2025	38,569
2026	38,569
Thereafter	173,560
Total	\$ 1,172,000

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Clean Water Partnership Loan	\$ -	\$ 385,690	\$ (19,284)	\$ 366,406	\$ 38,569
Compensated Absences Payable	55,092	40,128	(25,276)	69,944	52,458
Government-Type Activity					
Long-Term Liabilities	\$ 55,092	\$ 425,818	\$ (44,560)	\$ 436,350	\$ 91,027

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ACCOUNTS (CONTINUED)

Fund Balance Classifications

At December 31, 2021, portions of the Organization's fund balance are not available for appropriation due to board of directors' action (committed). The following is a summary of the commitments:

Commitments:	
Operations and Administration	\$ 14,000
Capital Improvement Projects and Programs	312,118
Total Committed	<u>\$ 326,118</u>

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

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

General Employees Retirement Fund (GERF)

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

Benefits Provided

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

General Employees Fund Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of 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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Benefits Provided (Continued)

General Employees Fund Benefits (Continued)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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. For 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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% of their annual covered salary in fiscal year 2021 and the Organization was required to contribute 7.50% for Coordinated Plan members. The Organization's contributions to the General Employees Fund for the year ended December 31, 2021 and 2020, were \$26,484 and \$25,373, respectively. The Organization's contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the Organization reported a liability of \$209,252 for its proportionate share of the General Employees Fund's net pension liability. The Organization's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the Organization totaled \$6,454.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Organization proportion of the net pension liability was based on the Organization contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The Organization's proportionate share was 0.0049% at the end of the measurement period and 0.0047% for the beginning of the period.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2021, the Organization recognized pension expense of \$2,283 for its proportionate share of GERP's pension expense.

At December 31, 2021, the Organization reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,286	\$ 6,404
Changes in Actuarial Assumption	127,765	4,629
Net Difference Between Projected and Actual Earnings on Plan Investments	-	181,221
Changes in Proportion	21,864	
Contributions to GERP Subsequent to the Measurement Date	13,549	-
Total	<u>\$ 164,464</u>	<u>\$ 192,254</u>

\$13,549 reported as deferred outflows of resources related to pensions resulting from the Organization's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 409
2023	6,269
2024	1,411
2025	(49,428)

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:

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Pension Costs (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stock	35.50%	5.10%
International Stock	17.50	5.30
Bonds	20.00	0.75
Alternative Assets	25.00	5.90
Cash	2.00	-
Total	<u>100.00%</u>	

Actuarial Assumptions

The total pension liability in the June 30, 2021, 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 6.5%. 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 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan, 2.25% for the Police and Fire Plan, and 2.25% for the Correctional Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 2% for the Correction Plan. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0% at age 20 to 3.0% at age 60.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. 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 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

Actuarial Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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 positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund 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.

Pension Liability Sensitivity

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

One Percent Decrease (5.50%)	Current (6.50%)	One Percent Increase (7.50%)
\$ 426,767	\$ 209,252	\$ 30,767

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.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 OTHER INFORMATION

Risk Management

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
 SCHEDULE OF EMPLOYER'S SHARE OF PERA NET PENSION LIABILITY – GENERAL EMPLOYEES RETIREMENT FUND
 YEAR ENDED DECEMBER 31, 2021**

<u>Fiscal Year Ending</u>	(a) Organization's Proportion of the Net Pension Liability	(a) Organization's Proportion Share of the Net Pension Liability	(b) State's Proportionate Share of the Net Pension Liability Associated with the Organization	(a+b) Total	(c) Organization's Covered Payroll	((a+b)/c) Organization's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2021	0.0049 %	\$ 209,252	\$ 6,454	\$ 215,706	\$ 353,120	61.09 %	87.00 %
6/30/2020	0.0047	281,786	8,788	290,574	338,307	85.89	79.10
6/30/2019	0.0043	237,737	7,333	245,070	301,640	81.25	80.23
6/30/2018	0.0041	238,546	7,929	246,475	291,293	84.61	79.53
6/30/2017	0.0041	306,429	3,859	310,288	309,693	100.19	75.90
6/30/2016	0.0041	332,900	4,396	337,296	255,040	132.25	68.91

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
SCHEDULE OF EMPLOYER'S SHARE OF PERA CONTRIBUTIONS –
GENERAL EMPLOYEES RETIREMENT FUND
YEAR ENDED DECEMBER 31, 2021**

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

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

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS
DECEMBER 31, 2021**

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions:

- There were no changes in plan provisions since the previous valuation.
- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

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

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS
DECEMBER 31, 2021**

2019 Changes

Changes Actuarial Assumptions:

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

Changes in Plan Provisions:

- 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 Changes

Changes Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, 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 Changes

Changes Actuarial Assumptions:

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA load are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS
DECEMBER 31, 2021**

2017 Changes (Continued)

Changes in Plan Provisions:

- 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 Changes

Changes Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

OTHER REQUIRED REPORTS



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and the major fund of the Vadnais Lake Area Water Management Organization (the Organization), Vadnais Heights, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements, and have issued our report thereon dated April 27, 2022.

In connection with our audit, we noted that Vadnais Lake Area Water Management Organization failed to comply with provisions of the contracting and bidding section of *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described in the Schedule of Findings and Responses as item 2021-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that Vadnais Lake Area Water Management Organization failed to comply with the provisions of the deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, 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 entity's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Vadnais Lake Area Water Management Organization's written response to the legal compliance findings identified in our audit are described in the Schedule of Findings and Responses. Vadnais Lake Area Water Management Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 27, 2022



**VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021**

FINDINGS – MINNESOTA LEGAL COMPLIANCE

CURRENT YEAR

FINDING: 2021-001 Reception of Form IC 134 For Contractor Compliance

CONDITION: Minnesota Statute § 270C.66 says before making final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor and by subcontractors, the entity must obtain a certificate by the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minn. Stat. § 290.92 (either Form IC134 or a Contractor's Withholding Affidavit Confirmation). We noted this did not occur for the 2021 project we tested and therefore was not in compliance with Minnesota Statutes.

RECOMMENDATION: We recommend the Organization make every effort possible to ensure that it obtains a Form IC 134 from the contractor of any project that has been substantially completed.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The Organization will work to ensure all invoices are paid within the standard payment period.

Official Responsible for Ensuring CAP:

The Organization's Director will be responsible for implementing the CAP.

Planned Completion Date for CAP:

The Organization will implement the recommended changes by the end of fiscal year 2022.

Plan to Monitor Completion of CAP:

The state of Minnesota will be monitoring this corrective action plan.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

