

**BELLE CREEK
WATERSHED DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

**BELLE CREEK WATERSHED DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2021**

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**BELLE CREEK WATERSHED DISTRICT
ORGANIZATION
DECEMBER 31, 2021**

Board of Managers:

	<u>County</u>
Les Kylo (President)	Goodhue
James Hedeem (Treasurer)	Goodhue
Steve McNamara (Secretary)	Goodhue

INDEPENDENT AUDITOR'S REPORT

To the Board of Managers
Belle Creek Watershed District
Welch, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the general fund of Belle Creek Watershed District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the general fund of Belle Creek Watershed District, as of December 31, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Belle Creek Watershed District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Belle Creek Watershed District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Belle Creek Watershed District's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the general fund and do not purport to, and do not, present fairly the financial position of Belle Creek Watershed District, as of December 31, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the budgetary comparison statement and the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Although not a part of the basic financial statements, such missing information, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Belle Creek Watershed District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2022 on our consideration of Belle Creek Watershed District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Belle Creek Watershed District's internal control over financial reporting and compliance.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

April 25, 2022

**BELLE CREEK WATERSHED DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 307,267
Capital assets:	
Land	378,550
Total Assets	685,817
 Net Position:	
Investment in capital assets	378,550
Unrestricted	307,267
Total Net Position	\$ 685,817

See accompanying notes to the financial statements and Independent Auditor's Report.

**BELLE CREEK WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expenses) Revenues and Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
General government	\$ 9,646	\$ -	\$ -	\$ -	\$ (9,646)
Programs	13,526	-	-	-	(13,526)
Total Governmental Activities	\$ 23,172	\$ -	\$ -	\$ -	(23,172)
General Revenues:					
General property taxes					26,222
Unrestricted interest earnings					2,836
Total General Revenues					29,058
Change in Net Position					5,886
Net Position - January 1					679,931
Net Position - December 31					\$ 685,817

See accompanying notes to the financial statements and Independent Auditor's Report.

**BELLE CREEK WATERSHED DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2021**

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 307,267
Total Assets	<u>\$ 307,267</u>
 Fund Balance	
Unassigned	<u>307,267</u>
Total Fund Balance	<u>307,267</u>
Total Liabilities and Fund Balance	<u>\$ 307,267</u>
Total Fund Balance	\$ 307,267

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in funds. Those assets consist of:

Land	<u>378,550</u>
Net Position of Governmental Activities	<u>\$ 685,817</u>

See accompanying notes to the financial statements and Independent Auditor's Report.

**BELLE CREEK WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>General Fund</u>
Revenues	
General property taxes	\$ 26,222
Interest income	2,836
Total Revenues	<u>29,058</u>
Expenditures	
Current:	
General government:	
Administrative	1,921
Insurance	3,455
Member Dues	2,545
Professional fees	1,725
Program expenditures	<u>13,526</u>
Total Expenditures	<u>23,172</u>
Net Change in Fund Balance	5,886
Fund Balance - January 1	<u>301,381</u>
Fund Balance - December 31	<u>\$ 307,267</u>
Net Change in Fund Balance - Governmental Fund	<u>\$ 5,886</u>
Change in Net Position of Governmental Activities	<u>\$ 5,886</u>

See accompanying notes to the financial statements and Independent Auditor's Report.

**BELLE CREEK WATERSHED DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Summary of Significant Accounting Policies

The Belle Creek Watershed District was established by a Joint Powers Agreement in 1968 between the townships of Belle Creek, Cannon Falls, Leon, Minneola, Vasa and Wanamingo. The District was formed to meet the requirements of Minnesota Statutes 103D.

The purpose of the District is to:

- Protect, preserve, and use natural surface and groundwater storage and retention systems.
- Minimize public capital expenditures needed to correct flooding and water quality problems.
- Identify and plan for the means to effectively protect and improve surface and groundwater quality.
- Establish more uniform local policies and official controls for surface and groundwater management.
- Prevent erosion of soil into surface water systems.
- Promote groundwater recharge.
- Protect and enhance fish and wildlife habitats and water recreational facilities.
- Secure the other benefits associated with the proper management of surface and groundwater.

The District comprises 52,790 acres and includes all or part of the cities of Belle Creek, Cannon Falls, Leon, Minneola, Vasa and Wanamingo.

The District is governed by a three-member Board of Managers. The Board consists of three representatives of the District. They are elected to a three-year term. Once the three-year term has been met the County Commissioners appoint a new Board of Managers.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to government units by the Governmental Accounting Standards Board (GASB).

Financial Reporting Entity

Generally accepted accounting principles require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principles the District does not have any component units.

**BELLE CREEK WATERSHED DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Summary of Significant Accounting Policies (Continued)

Government-Wide Fund Financial Statements

The government-wide fund financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. The governmental activities are supported by intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general government revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide fund 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.

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

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be 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 District.

The District reports one major governmental fund. The General Fund (Administrative Fund) is the general operating fund of the District. It is used to account for financial resources to be used for general administrative expenditures and programs of the District.

Cash and Cash Equivalents

Cash and cash equivalents are invested, to the extent available, in authorized investments. In accordance with the provisions of GASB Statement No. 31, the District reports investments at fair value in the statements. In accordance with the provisions of GASB No. 31, the District has reported all investment income, including changes in fair value of investments, as revenue in the operating statements.

**BELLE CREEK WATERSHED DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Land is reported at acquisition cost.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

Property Tax Revenue Recognition

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

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

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

**BELLE CREEK WATERSHED DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Summary of Significant Accounting Policies (Continued)

Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Investment in capital assets – The amount of net position representing capital assets net of accumulated depreciation.

Restricted net position – The amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, laws or regulations of other governments; and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – The amount of net position that does not meet the definition of restricted or investment in capital assets.

Fund Balance Classifications

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

Non-spendable – Consists of amounts that are not in spendable form, such as prepaid items.

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

Committed – Consists of internally imposed constraints. These constraints are established by resolution of the Board.

Assigned – Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board.

Unassigned – Is the residual classification for the general fund.

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

When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned.

**BELLE CREEK WATERSHED DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The District is currently evaluating this guidance to determine the impact it may have on its financial statements.

Note 2 - Deposits and Investments

Deposits

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

Minnesota Statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes and treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) 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;
- d) General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) 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
- f) Time deposits that are fully insured by any federal agency.

At December 31, 2021, the carrying amount of the District's deposits were \$307,267 and the bank balance was \$307,267.

**BELLE CREEK WATERSHED DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 2 - Deposits and Investments (Continued)

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that insurance, surety bonds or collateral protect all District deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. The District has no additional deposit policies addressing custodial credit risk. As of December 31, 2021, the District's deposits were not exposed to custodial credit risk.

Note 3 - Risk Management

The District is exposed to various risks of loss for which the District carries commercial insurance policies.

There were no reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 4 - Commitments and Contingencies

The District is not aware of any existing or pending lawsuits, claims or other actions in which the District is a defendant.

Note 5 - Risk and Uncertainty

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. In addition, the State of Minnesota implemented policies to promote social distancing. The District cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact the District's operations and ultimately impact its financial statements.

Note 6 - Subsequent Events

The District has evaluated events and transactions for potential recognition or disclosure through April 25, 2022, the date the financial statements were available to be issued.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Managers
Belle Creek Watershed District
Welch, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the general fund of Belle Creek Watershed District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Belle Creek Watershed District's basic financial statements, and have issued our report thereon dated April 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Belle Creek Watershed District's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Belle Creek Watershed District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Belle Creek Watershed District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as item 2021-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Belle Creek Watershed District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Belle Creek Watershed District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Belle Creek Watershed District's response to the internal control finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Belle Creek Watershed District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

April 25, 2022

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Managers
Belle Creek Watershed District
Welch, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the general fund of Belle Creek Watershed District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Belle Creek Watershed District's basic financial statements, and have issued our report thereon dated April 25, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that Belle Creek Watershed District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. 6.65, 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 Belle Creek Watershed District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Peterson Company Ltd

Peterson Company Ltd
Waconia, Minnesota

April 25, 2022

**BELLE CREEK WATERSHED DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021**

2021-001 Segregation of Duties

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition: Substantially all accounting procedures are performed by one person.

Cause: This condition is common to organizations of this size due to the limited number of staff.

Effect: The lack of an ideal segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner.

Recommendation: Any modification of internal controls in this area must be viewed from a cost/benefit perspective.

Management Response: The District has adequate policies and procedures in place to compensate for the lack of segregation of duties, including having all disbursements approved by the Board.