

## **MEMO**

**To:** Finance Committee, Lower Minnesota River Watershed District

**From:** Joseph Barisonzi, President

**Date:** March 17, 2025

**Subject:** Request for Monthly Standardized Financial Reports

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### **1. Thank You**

First, I want to express my appreciation for the financial reports regularly provided by the Administrator. The consistency and transparency in reporting expenditures, budget tracking, and fund balances have been invaluable in ensuring accountability. I recognize the effort that goes into preparing these reports and want to acknowledge that work.

However, as we face tight budget constraints and make significant financial decisions, it is imperative that we upgrade our financial oversight tools to ensure that the Board has the full financial picture necessary for responsible governance.

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### **2. What We Currently Receive**

The December 2024, January 2025, and February 2025 Financial Reports provided to the Board include:

- A fund balance summary showing beginning balance, additions, and expenditures.
- An itemized list of expenditures by vendor.
- A budget vs. actual expenditure report for tracking spending.
- A limited revenue summary, without a full breakdown of revenue sources vs. expenditures.

While these reports provide valuable insights into recent financial activity, they do not offer a comprehensive financial picture.

Upon reviewing financial reports from three consecutive months (December 2024, January 2025, and February 2025), it is clear that key financial statements are consistently missing, making it difficult for the Board to fully assess financial health and plan strategically. The absence of a Balance Sheet, Income Statement (with total revenues and expenses), Cash Flow Projection, and Debt Schedule leaves significant gaps in financial oversight.

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### 3. What Other Watershed Districts and LGUs Receive as Standard

Across Local Government Units (LGUs), Watershed Districts, and similar public entities, four standard financial reports are consistently provided to governing boards:

1. Balance Sheet (Statement of Net Position):
  - Provides a snapshot of all assets (cash, receivables, investments), liabilities (payables, outstanding obligations), and fund balances, ensuring that decision-makers understand the district's financial health at any given time.
  - *Source: Government Finance Officers Association (GFOA) Best Practices for Local Government Financial Reporting.*
2. Income Statement (Budget vs. Actual with Revenues & Expenses):
  - Summarizes both revenues and expenditures, clearly showing whether the entity is running a surplus or deficit.
  - This aligns with the Minnesota Office of the State Auditor's guidance on financial oversight for special districts [[Click Here](#)]:.
3. Cash Flow Projection:
  - Forecasts expected cash inflows (e.g., tax settlements, grants) and outflows (e.g., operating expenses, project costs, debt payments), helping anticipate potential funding gaps before they occur.
  - This is standard practice in local government accounting, and Minnesota watershed districts such as Minnehaha Creek Watershed District [[Click Here](#)]: and Capitol Region Watershed District [[Click Here](#)] provide such projections to their boards monthly.
4. Debt Schedule:
  - Lists all outstanding loans and bonds, principal balances, interest rates, repayment schedules, and total annual debt service obligations, ensuring transparency into long-term financial commitments.
  - This aligns with the GFOA's recommendation for local governments and the Minnesota State Auditor's expectation for debt transparency.

#### *Examples from Other Watershed Districts*

- Minnehaha Creek Watershed District [[Click Here](#)]: Issues monthly financial packets to its board, which include a Balance Sheet and Statement of Activities.
- Capitol Region Watershed District [[Click Here](#)]: Regularly publishes budget-to-actual reports and cash flow projections for fiscal planning.
- Mississippi Watershed Management Organization (MWMO) [[Click Here](#)]: Provides Annual Activity and Financial Reports that detail assets, liabilities, revenues, and expenditures.

- Lower Mississippi River Watershed Management Organization (LMRWMO) [[Click Here](#)]: Issues Annual Reports with financial statements, audits, and financial summaries.

These reports are not specialized or custom reports—they are pre-programmed outputs in standard government accounting software and can be generated with minimal administrative effort. They are essential for transparency, strategic decision-making, and financial sustainability.

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#### **4. What We Should Receive and Why**

To align with standard financial oversight practices, I respectfully request that the following reports be generated and provided on a monthly basis:

1. *Balance Sheet* (Statement of Net Position) – To provide a full view of the District’s financial standing, including all assets, liabilities, and reserves.
  2. *Full Income Statement* (Budget vs. Actual, Including Revenues & Expenses) – To ensure transparency in revenue reporting and track whether the District is operating at a surplus or deficit in real time.
  3. *Cash Flow Projection* – To anticipate future funding gaps and ensure sustainable financial planning, particularly given the uneven timing of tax settlements and grant disbursements.
  4. *Debt Schedule* – To provide a detailed account of outstanding obligations, repayment schedules, and long-term financial commitments, ensuring the Board is fully informed of its financial obligations.
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#### **Process for Implementation**

I believe that these reports are essential for the Board to fulfill its fiduciary responsibilities and maintain financial transparency. By integrating these standard reports into our monthly financial review process, we can ensure that the Board has the tools necessary for effective fiscal oversight, strategic planning, and risk management.

- These reports should be provided to the Finance Committee at its monthly meeting for review.
- They should then be included in the Board’s regular meeting materials to ensure all members have access to the full financial picture before making key decisions.
- Since these reports are pre-programmed in standard government accounting software, their generation should require minimal additional administrative effort.

- Given that the last three months of financial reports have consistently lacked these reports, I recommend that these be implemented within the next quarter.

By adopting these best practices, we align with recognized financial governance standards, ensuring that our financial oversight is clear, comprehensive, and aligned with the best practices followed by other Watershed Districts and local government units.

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## **Addendum: Supporting Sources & Citations**

### **1. GFOA Best Practices on Internal Control**

The Government Finance Officers Association (GFOA) [[Click Here](#)] emphasizes the importance of transparent financial management and standard reporting for local governments. **Source:** [GFOA Best Practices Guide](#)

### **2. Minnesota Office of the State Auditor:**

The Minnesota Office of the State Auditor provides oversight for local governments, requiring clear fund balance tracking, revenue and expenditure monitoring, and structured debt disclosures for fiscal transparency. Source: Minnesota State Auditor [[Click Here](#)]

### **3. Minnehaha Creek Watershed District**

The Minnehaha Creek Watershed District issues monthly financial packets to its board, including a Balance Sheet and Statement of Activities to provide a comprehensive view of financial health. Source: [[Click Here](#)]

### **4. Capitol Region Watershed District**

The Capitol Region Watershed District regularly publishes budget-to-actual reports and cash flow projections to support financial planning and oversight. Source: [[Click Here](#)]

### **5. Mississippi Watershed Management Organization (MWMO)**

The MWMO publishes Annual Activity and Financial Reports detailing their financial position, including assets, liabilities, revenues, and expenditures. Source: [MWMO Annual Activity and Financial Reports](#)

### **6. Lower Mississippi River Watershed Management Organization (LMRWMO)**

The LMRWMO provides Annual Reports that include financial statements, audits, and summaries of their financial activities. Source: [LMRWMO Annual Reports](#)