

MINNEHAHA CREEK WATERSHED DISTRICT

ANNUAL FINANCIAL REPORT

December 31, 2020

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MINNEHAHA CREEK WATERSHED DISTRICT
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INTRODUCTORY SECTION

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MINNEHAHA CREEK WATERSHED DISTRICT

ORGANIZATION

December 31, 2020

Board of Managers:

Term Expires

Sherry Davis White - President

March, 2021

Bill Olson - Vice President

March, 2022

Jessica Loftus - Treasurer

March, 2023

Kurt Rogness - Secretary

March, 2021

Eugene Maxwell

March, 2022

Richard Miller

March, 2023

Arun Hejmadi

March, 2022

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Managers
Minnehaha Creek Watershed District
Minnetonka, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Minnehaha Creek Watershed District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Minnehaha Creek Watershed District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Minnehaha Creek Watershed District, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Minnehaha Creek Watershed's 2019 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated April 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of proportionate share of net pension liability, and schedule of pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Minnehaha Creek Watershed District's basic financial statements. The introductory section, supplementary financial information, and other information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and other information sections have 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 them.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 8, 2021

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Management's Discussion and Analysis

As management of the Minnehaha Creek Watershed District, Minnesota, (the Watershed District), we offer readers of the Watershed District's financial statements this narrative overview and analysis of the financial activities of the Watershed District for the fiscal year ended December 31, 2020.

Financial Highlights

- The assets and deferred outflows of resources of the Watershed District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$34,618,631 (net position). Of this amount, \$14,177,814 (unrestricted net position) may be used to meet the Watershed District's ongoing obligations to citizens and creditors.
- There was an increase in the Watershed District's total net position of \$4,753,062. This increase is attributable to the increase in cash of \$2,982,342 held due to deferred and/or delayed projects due to COVID and \$1,597,558 in the reduction in outstanding debt related to acquire the assets due to the refunding of the Hennepin County Bonds and the City of Richfield loan.
- As of the close of the current fiscal year, the Watershed District's governmental fund reported an ending fund balance of \$17,799,687, an increase of \$2,578,967 in comparison with the prior year. Approximately 85.4 percent of this total amount, \$15,200,828, is assigned by management to show the intent of the funds but is also available for spending at the Watershed District's discretion, while 14 percent, \$2,508,404 is committed for unspent property taxes, and .51 percent, \$90,455 of this total amount is nonspendable for prepaid items.
- At the end of the current fiscal year, assigned fund balance for the Management Planning fund was \$15,200,828, which is 104.4 percent of the 2020 total fund expenditures or 103.3 percent of next year's Management Planning fund budget.
- The Watershed District's total debt decreased \$3,126,939 during the current fiscal year. The decrease can be attributed to \$1,597,558 savings incurred with refunding the Hennepin County bonds and the City of Richfield loan, and the remaining is due to the reduction of scheduled debt payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Watershed District's basic financial statements. The Watershed District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

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

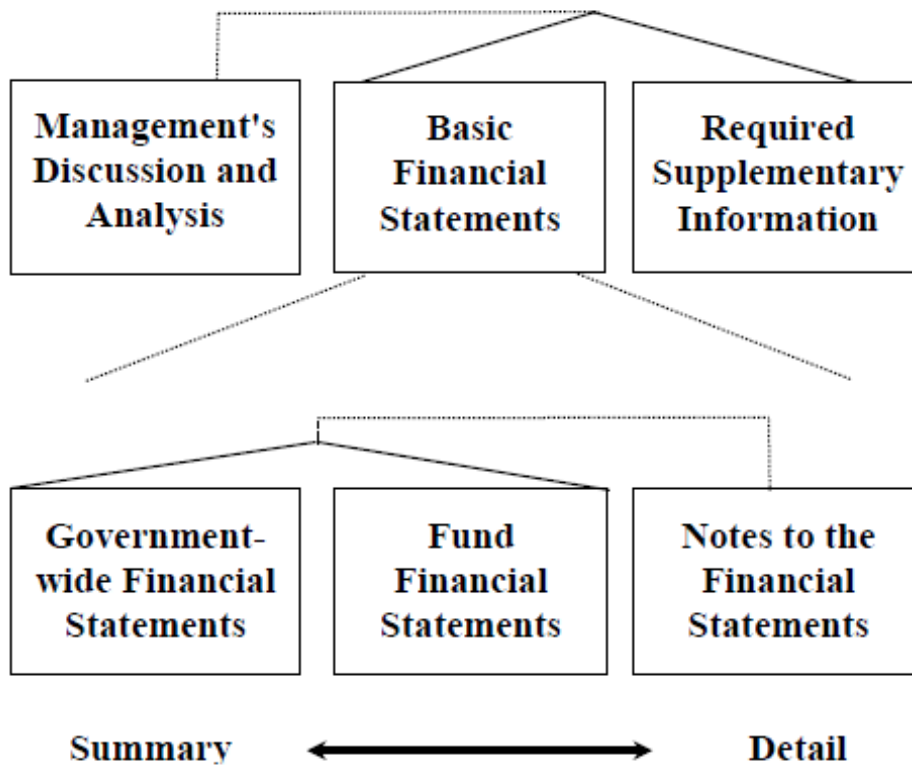


Figure 2 summarizes the major features of the Watershed District’s financial statements, including the portion of the Watershed District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure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

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

| | Government-wide Statements | Governmental Funds |
|--|--|--|
| Scope | Entire Watershed District government | Entire Watershed District government |
| 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 in flow/out flow 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 Watershed District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Watershed District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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 Watershed District is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the Watershed District that are principally supported by taxes and charges for services (*governmental activities*). The governmental activities of the Watershed District include general government, programs, projects, and interest on long-term debt.

The government-wide financial statements can be found on Statements 1 and 2 of this report.

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

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

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

The Watershed District maintains only one governmental fund. This information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the Management Planning fund.

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

The basic governmental fund financial statements can be found on Statements 3 through 5 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following Statement 5 of this report.

Required Supplementary Information. Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule (Statement 6), the Schedule of Proportionate Share of Net Pension Liability (Statement 7), the Schedule of Pension Contributions (Statement 8) and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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 Watershed District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34,618,631 at the close of the most recent fiscal year.

The largest part of the Watershed District's net position (59 percent) is the investment in capital assets. The investment in capital assets (e.g., land, easements, buildings, machinery and equipment) is reduced by any related debt used to acquire those assets that is still outstanding to arrive at capital assets net of related debt. The Watershed District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Watershed District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Watershed District's Summary of Net Position

| | Governmental Activities | | |
|---------------------------------------|-------------------------|----------------------|------------------------|
| | 2020 | 2019 | Increase (Decrease) |
| Assets | | | |
| Current and other assets | \$ 21,984,229 | \$ 19,358,801 | \$ 2,625,428 |
| Capital assets | 37,415,845 | 37,371,933 | 43,912 |
| Total Assets | <u>59,400,074</u> | <u>56,730,734</u> | <u>2,669,340</u> |
| Deferred Outflows of Resources | <u>132,258</u> | <u>93,640</u> | <u>38,618</u> |
| Liabilities | | | |
| Noncurrent liabilities outstanding | 17,028,849 | 20,381,575 | (3,352,726) |
| Other liabilities | 7,437,313 | 6,223,155 | 1,214,158 |
| Total Liabilities | <u>24,466,162</u> | <u>26,604,730</u> | <u>(2,138,568)</u> |
| Deferred Inflows of Resources | <u>447,539</u> | <u>354,075</u> | <u>93,464</u> |
| Net Position | | | |
| Net investment in capital assets | 20,440,817 | 18,382,918 | 2,057,899 |
| Unrestricted | <u>14,177,814</u> | <u>11,482,651</u> | <u>2,695,163</u> |
| Total Net Position | <u>\$ 34,618,631</u> | <u>\$ 29,865,569</u> | <u>\$ 4,753,062</u> |

The remaining balance of *unrestricted net position* (\$14,177,814) may be used to meet the Watershed District's ongoing obligations to citizens and creditors.

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

Governmental Activities. Governmental activities increased in the Watershed District’s net position by \$4,753,062. Key elements of the changes are as follows:

Watershed District’s Changes in Net Position

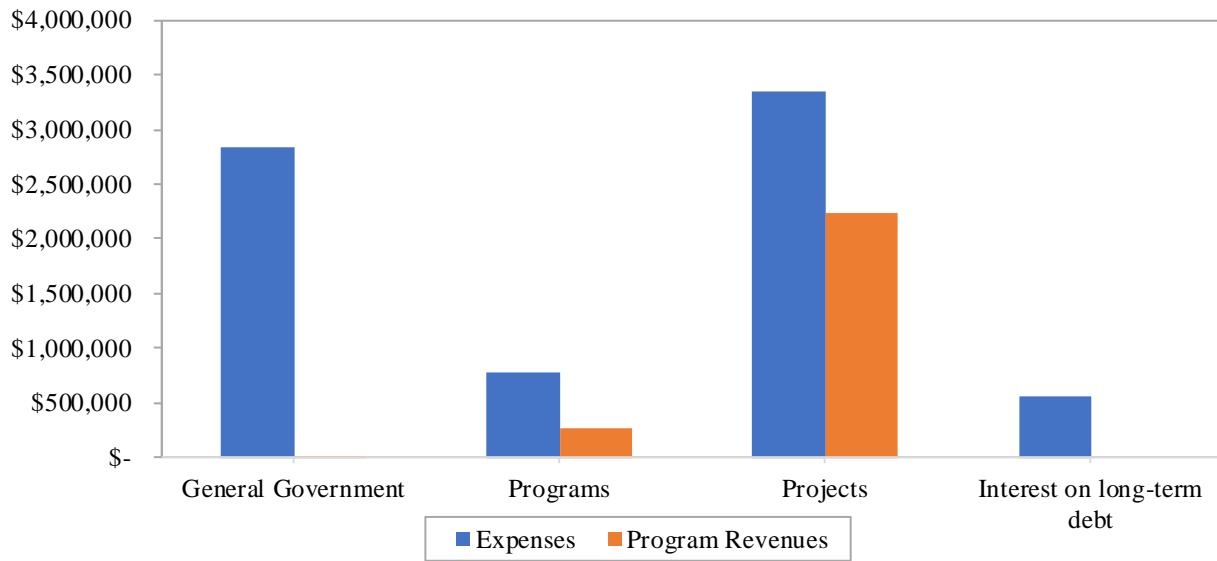
| | Governmental Activities | | |
|--|-------------------------|----------------------|------------------------|
| | 2020 | 2019 | Increase (Decrease) |
| Revenues | | | |
| Program Revenues | | | |
| Charges for services | \$ 36,360 | \$ 70,875 | \$ (34,515) |
| Operating grants and contributions | 284,767 | 582,295 | (297,528) |
| Capital grants and contributions | 2,181,690 | 5,416,888 | (3,235,198) |
| General Revenues | | | |
| Taxes | 9,668,009 | 9,623,577 | 44,432 |
| Intergovernmental revenues not restricted to specific programs | 1,531 | 628 | 903 |
| Interest and investment income | 89,736 | 159,170 | (69,434) |
| Miscellaneous | 14,414 | 94,267 | (79,853) |
| Total Revenues | <u>12,276,507</u> | <u>15,947,700</u> | <u>(3,671,193)</u> |
| Expenses | | | |
| General government | 2,840,317 | 3,123,331 | (283,014) |
| Programs | 779,090 | 976,509 | (197,419) |
| Projects | 3,344,683 | 4,733,494 | (1,388,811) |
| Interest on long-term debt | 559,355 | 634,624 | (75,269) |
| Total Expenses | <u>7,523,445</u> | <u>9,467,958</u> | <u>(1,944,513)</u> |
| Change in Net Position | 4,753,062 | 6,479,742 | (1,726,680) |
| Net Position, January 1 | <u>29,865,569</u> | <u>23,385,827</u> | <u>6,479,742</u> |
| Net Position, December 31 | <u>\$ 34,618,631</u> | <u>\$ 29,865,569</u> | <u>\$ 4,753,062</u> |

The decrease in operating grants and contributions was due to \$337,250 in FEMA grant revenue in 2019 while only \$30,490 was recorded for 2020. Capital grants and contributions decreased due to a donation of a conservation easement valued at \$3,950,000 in 2019.

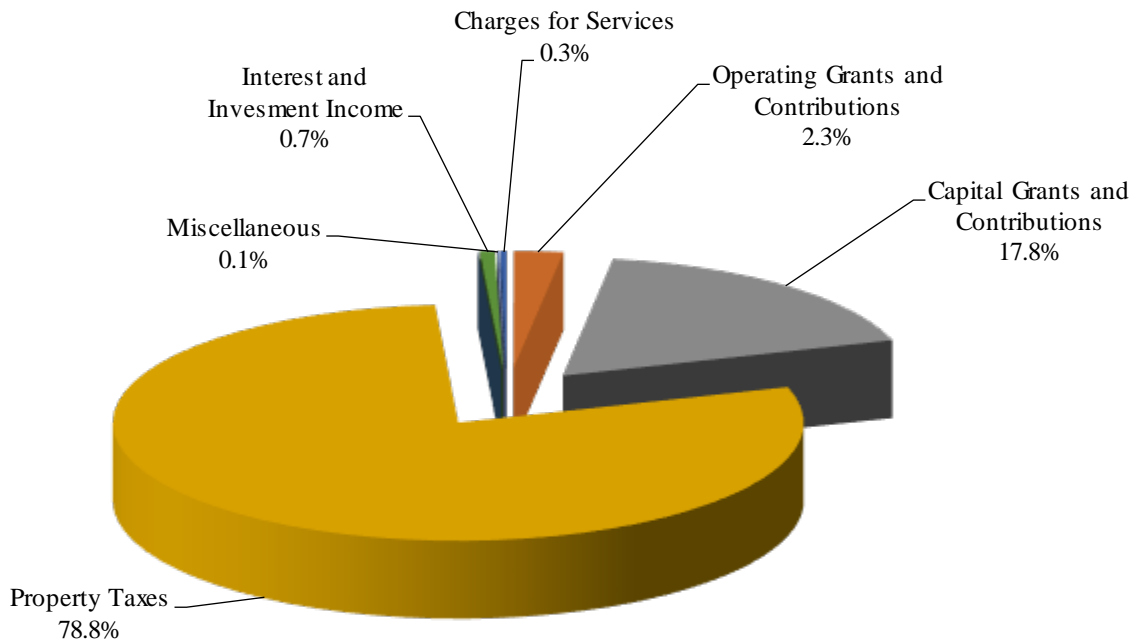
Throughout 2020, COVID impacted the timing of initiatives, resulting in changes to workflow and delayed or deferred projects. This ultimately impacted expenditures and resulted in lower overall expenses in 2020. Total expenses in governmental activities decreased by \$1,944,513. The general government activities decrease is tied to the reorganization and/or reduction in staff in Operations and Outreach (formerly Education & Communications), as well as a delay in replacing an open position in the Research & Monitoring department. Overall these changes resulted in a decrease in expenditures of \$245,112. Additionally due to COVID, there were a reduced number of monitoring sites by the Research & Monitoring program thereby reducing lab analysis fees by \$28,736 and equipment and supply purchases by \$24,898.

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

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

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

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

The *Management Planning fund* is the operating fund of the Watershed District. At the end of the current year, the fund balance of the Management Planning fund was \$17,799,687. The Watershed District's Management Planning fund balance increased \$2,578,967 during the current fiscal year. As a measure of the Management Planning fund's liquidity, it may be useful to compare assigned fund balance to total budgeted expenditures. Total assigned fund balance represents 104.4 percent of total 2020 expenditures.

Management Planning Fund Budgetary Highlights

The Watershed District's Management Planning fund budget reflects a \$3,289,758 fund balance decrease. Actual fund balance increased \$2,578,967 from the prior year, creating a positive variance of \$5,868,725.

Overall, revenues were over budget by \$190,569. The most significant positive revenue variance was from intergovernmental revenue accounts totaling \$249,098 reporting variances over budget. The most significant negative revenue variances were from permits and property taxes which were less than budget by \$51,640 and \$32,082, respectively.

Once again COVID impacted the timing of initiatives, which resulted in changes to the workflow, projects delayed and/or postponed. Overall, expenditures were under budget by \$796,639, with the largest reflecting in these delayed and/or postponed project implementations of \$3,573,260 which consist of Blake Road, Meadowbrook Golf Course, Maintenance, Cottageville Park, and Halstads Six Mile Creek. District operations and personnel are under budget by \$853,142 due to the reduction of staff in General Operations, and Communications and a delayed hiring in Water Quality until 2021. Debt service is over budget by \$4,814,923 due to the refinancing of two Hennepin County Bonds. Capital outlay's budget variance of \$598,685 is due to the delay of the Watershed District's campus and the acquisition of property/easements.

Capital Asset and Debt Administration

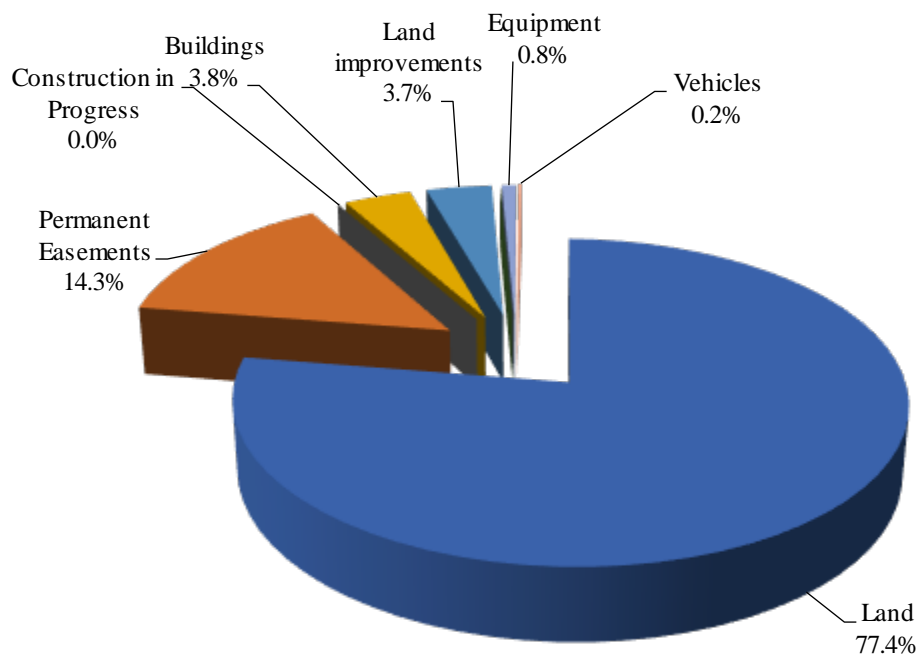
Capital Assets. The Watershed District's investment in capital assets for its governmental fund as of December 31, 2020, amounts to \$37,415,845 (net of accumulated depreciation). This investment in capital assets includes land, permanent easements, construction in progress, buildings, land improvements, furniture, equipment, and vehicles.

There were no major capital asset events during the current fiscal year.

Additional information on the Watershed District's capital assets can be found in Note 5 of this report.

Watershed District's Capital Assets (Net of Depreciation)

| | Governmental Activities | | |
|--------------------------|-------------------------|----------------------|------------------------|
| | 2020 | 2019 | Increase (Decrease) |
| Land | \$ 28,944,552 | \$ 28,944,552 | \$ - |
| Permanent Easements | 5,333,620 | 5,333,620 | - |
| Construction in Progress | - | 116,458 | (116,458) |
| Buildings | 1,403,477 | 1,465,974 | (62,497) |
| Land improvements | 1,365,748 | 1,280,688 | 85,060 |
| Furniture | 9,946 | 12,930 | (2,984) |
| Equipment | 285,379 | 115,768 | 169,611 |
| Vehicles | 73,123 | 101,943 | (28,820) |
| Total | \$ 37,415,845 | \$ 37,371,933 | \$ 43,912 |



Long-term Debt. At the end of the current fiscal year, the Watershed District had total debt outstanding of \$17,837,556. The Watershed District agreed to service the debt of the City of Richfield that was used to construct a storm water treatment facility.

Watershed District’s Outstanding Debt

| | Governmental Activities | | |
|------------------------------|-------------------------|----------------------|------------------------|
| | 2020 | 2019 | Increase (Decrease) |
| Bonds and notes payable | \$ 15,752,993 | \$ 18,575,000 | \$ (2,822,007) |
| Due to the City of Richfield | 2,084,563 | 2,392,121 | (307,558) |
| Total | <u>\$ 17,837,556</u> | <u>\$ 20,967,121</u> | <u>\$ (3,129,565)</u> |

The Watershed District’s total debt decreased during the current fiscal year due to the refinancing of the Hennepin County and the City of Richfield debt and scheduled principal payments.

Additional information on the Watershed District’s long-term debt can be found in Note 6 of this report.

Economic Factors and Next Year’s Budgets and Rates

The Watershed District has a comprehensive budgeting process which includes review by department heads and the Watershed District’s Board of Managers. The Watershed District considers factors such as state and county grants, cost share grants with cities, and permit fees when reviewing revenues. Expenses are monitored based on any potential staffing, equipment, project, and program needs and changes in resources.

Requests for Information

This financial report is designed to provide a general overview of the Watershed District’s finances for all those with an interest in the Watershed District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Watershed District Administrator, Minnehaha Creek Watershed District, 15320 Minnetonka Blvd, Minnetonka, MN 55345.

BASIC FINANCIAL STATEMENTS

MINNEHAHA CREEK WATERSHED DISTRICT

STATEMENT OF NET POSITION

Statement 1

December 31, 2020

With Comparative Totals For December 31, 2019

| | Governmental Activities | |
|--|-------------------------|---------------------|
| | 2020 | 2019 |
| Assets: | | |
| Cash and investments | \$20,878,541 | \$17,896,199 |
| Accounts receivable - net | - | 3,914 |
| Due from other governments | 515,316 | 68,770 |
| Prepaid items | 90,455 | 93,411 |
| Property taxes receivable: | | |
| Delinquent | 113,217 | 89,119 |
| Due from county | 92,884 | 61,309 |
| Mortgage receivable | 293,816 | 296,079 |
| Land held for resale | - | 850,000 |
| Capital assets - net of accumulated depreciation: | | |
| Nondepreciable | 34,278,172 | 34,394,630 |
| Depreciable | 3,137,673 | 2,977,303 |
| Total assets | <u>59,400,074</u> | <u>56,730,734</u> |
| Deferred outflows of resources related to pensions | <u>132,258</u> | <u>93,640</u> |
| Liabilities: | | |
| Accounts payable | 163,851 | 215,101 |
| Salaries payable | 61,388 | 47,251 |
| Due to other governments | 1,075,408 | 1,085,030 |
| Contracts payable | 248,240 | 169,362 |
| Unearned revenue | 626,377 | 394,259 |
| Surety deposits payable | 1,602,245 | 1,841,880 |
| Accrued interest payable | 93,008 | 93,912 |
| Unamortized loan premiums | 1,222,035 | 414,015 |
| Compensated absences payable: | | |
| Due within one year | 7,886 | 10,345 |
| Due in more than one year | 155,208 | 150,123 |
| Bonds and notes payable: | | |
| Due within one year | 2,163,957 | 1,782,094 |
| Due in more than one year | 13,589,036 | 16,792,906 |
| Due to the City of Richfield: | | |
| Due within one year | 172,918 | 169,906 |
| Due in more than one year | 1,911,645 | 2,222,215 |
| Net pension liability: | | |
| Due in more than one year | 1,372,960 | 1,216,331 |
| Total liabilities | <u>24,466,162</u> | <u>26,604,730</u> |
| Deferred inflow of resources: | | |
| Related to pensions | 104,115 | 354,075 |
| Related to debt refundings | 343,424 | - |
| Total deferred inflows of resources | <u>447,539</u> | <u>354,075</u> |
| Net position: | | |
| Net investment in capital assets | 20,440,817 | 18,382,918 |
| Unrestricted | 14,177,814 | 11,482,651 |
| Total net position | <u>\$34,618,631</u> | <u>\$29,865,569</u> |

The accompanying notes are an integral part of these financial statements.

MINNEHAHA CREEK WATERSHED DISTRICT

STATEMENT OF ACTIVITIES

Statement 2

For The Year Ended December 31, 2020

With Comparative Totals For the Year Ended December 31, 2019

| Functions/Programs: | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | |
|--|--------------------|-------------------------|--|--|---------------------|---------------------|
| | | Charges For Services | Operating Grants and Contributions | Capital Grants and Contributions | Totals | |
| | | | | | 2020 | 2019 |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$2,840,317 | \$ - | \$3,684 | \$ - | (\$2,836,633) | (\$3,120,498) |
| Programs | 779,090 | 36,360 | 223,251 | - | (519,479) | (659,431) |
| Projects | 3,344,683 | - | 57,832 | 2,181,690 | (1,105,161) | 1,016,653 |
| Interest on long-term debt | 559,355 | - | - | - | (559,355) | (634,624) |
| Total governmental activities | <u>\$7,523,445</u> | <u>\$36,360</u> | <u>\$284,767</u> | <u>\$2,181,690</u> | <u>(5,020,628)</u> | <u>(3,397,900)</u> |
| General revenues: | | | | | | |
| Property taxes | | | | | 9,668,009 | 9,623,577 |
| Grants and contributions not restricted to specific programs | | | | | 1,531 | 628 |
| Unrestricted investment earnings | | | | | 89,736 | 159,170 |
| Miscellaneous other | | | | | 14,414 | 94,267 |
| Total general revenues | | | | | <u>9,773,690</u> | <u>9,877,642</u> |
| Change in net position | | | | | 4,753,062 | 6,479,742 |
| Net position - January 1 | | | | | <u>29,865,569</u> | <u>23,385,827</u> |
| Net position - December 31 | | | | | <u>\$34,618,631</u> | <u>\$29,865,569</u> |

The accompanying notes are an integral part of these financial statements.

MINNEHAHA CREEK WATERSHED DISTRICT

BALANCE SHEET

Statement 3

GOVERNMENTAL FUNDS

December 31, 2020

With Comparative Totals For December 31, 2019

| | Management Planning Fund | |
|---|--------------------------|---------------------|
| | 2020 | 2019 |
| Assets: | | |
| Cash and investments | \$20,878,541 | \$17,896,199 |
| Accounts receivable - net | - | 3,914 |
| Due from other governments | 515,316 | 68,770 |
| Prepaid items | 90,455 | 93,411 |
| Property taxes receivable: | | |
| Delinquent | 113,217 | 89,119 |
| Due from county | 92,884 | 61,309 |
| Mortgage receivable | 293,816 | 296,079 |
| Land held for resale | - | 850,000 |
| Total assets | <u>\$21,984,229</u> | <u>\$19,358,801</u> |
| Liabilities: | | |
| Accounts payable | 163,851 | \$215,101 |
| Salaries payable | 61,388 | 47,251 |
| Due to other governments | 1,075,408 | 1,085,030 |
| Contracts payable | 248,240 | 169,362 |
| Unearned revenue | 626,377 | 394,259 |
| Surety deposits payable | 1,602,245 | 1,841,880 |
| Total liabilities | <u>3,777,509</u> | <u>3,752,883</u> |
| Deferred inflows of resources: | | |
| Unavailable revenue | <u>407,033</u> | <u>385,198</u> |
| Fund balance: | | |
| Nonspendable | 90,455 | 93,411 |
| Committed | 2,508,404 | 72,210 |
| Assigned | 15,200,828 | 15,055,099 |
| Total fund balance | <u>17,799,687</u> | <u>15,220,720</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$21,984,229</u> | <u>\$19,358,801</u> |
| Fund balance reported above | \$17,799,687 | \$15,220,720 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 37,415,845 | 37,371,933 |
| Deferred outflows of resources related to pensions are not current financial resources and, therefore, are not reported in the funds. | 132,258 | 93,640 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (20,688,653) | (22,851,847) |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds. | 407,033 | 385,198 |
| Deferred inflows of resources related to pensions and debt refundings are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(447,539)</u> | <u>(354,075)</u> |
| Net position of governmental activities | <u>\$34,618,631</u> | <u>\$29,865,569</u> |

The accompanying notes are an integral part of these financial statements.

MINNEHAHA CREEK WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

Statement 4

For The Year Ended December 31, 2020

With Comparative Totals For the Year Ended December 31, 2019

| | Management Planning Fund | |
|--------------------------------------|----------------------------|----------------------------|
| | 2020 | 2019 |
| Revenues: | | |
| General property taxes | \$9,643,911 | \$9,623,618 |
| Intergovernmental - cost share | 2,134,050 | 1,466,888 |
| Intergovernmental - other | 330,254 | 580,090 |
| Permits | 36,360 | 70,875 |
| Investment income | 89,736 | 159,170 |
| Other | 16,677 | 100,435 |
| Total revenues | <u>12,250,988</u> | <u>12,001,076</u> |
| Expenditures: | | |
| Current: | | |
| General government | 2,867,253 | 3,032,900 |
| Programs | 731,776 | 939,416 |
| Projects | 3,299,366 | 4,686,525 |
| Debt service: | | |
| Principal | 6,816,913 | 1,962,404 |
| Interest | 602,984 | 687,079 |
| Capital outlay | 235,246 | 290,062 |
| Total expenditures | <u>14,553,538</u> | <u>11,598,386</u> |
| Revenues over (under) expenditures | <u>(2,302,550)</u> | <u>402,690</u> |
| Other financing sources (uses): | | |
| Issuance of refunding bonds | 3,825,000 | - |
| Bond premium | 1,056,517 | - |
| Transfers in | 1,516,791 | 1,228,074 |
| Transfers out | (1,516,791) | (1,228,074) |
| Total other financing sources (uses) | <u>4,881,517</u> | <u>0</u> |
| Net change in fund balance | 2,578,967 | 402,690 |
| Fund balance - January 1 | <u>15,220,720</u> | <u>14,818,030</u> |
| Fund balance - December 31 | <u><u>\$17,799,687</u></u> | <u><u>\$15,220,720</u></u> |

The accompanying notes are an integral part of these financial statements.

MINNEHAHA CREEK WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS

Statement 5

For The Year Ended December 31, 2020

With Comparative Totals For the Year Ended December 31, 2019

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| Amounts reported for governmental activities in the statement of activities (Statement 2) are different because: | | |
| Net changes in fund balances - total governmental funds (Statement 4) | \$2,578,967 | \$402,690 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: | | |
| Capital outlay | 235,246 | 290,062 |
| Depreciation expense | (191,334) | (160,224) |
| The effect of various other transactions involving capital assets: | | |
| Permanent conservation easement donated to the District | - | 3,950,000 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: | | |
| Change in delinquent property taxes | 24,098 | (41) |
| Change in mortgage receivable | (2,263) | (6,168) |
| The issuance of long-term debt (e.g., loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. | | |
| Issuance of refunding bonds | (3,825,000) | - |
| Premium on refunding bonds issued | (1,056,517) | - |
| Loan principal repayments | 6,647,007 | 1,790,000 |
| Due to the City of Richfield repayments | 169,906 | 172,404 |
| 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. Changes in these expense accruals are as follows: | | |
| Change in accrued interest payable | 904 | 18,629 |
| Amortization of bond premium | 42,725 | 33,826 |
| Change in compensated absences payable | (2,626) | (23,445) |
| Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities. This is the amount by which pension expense differed from pension contributions: | | |
| Pension contributions | 123,495 | |
| Pension expense | 8,454 | |
| | <u>131,949</u> | <u>12,009</u> |
| Change in net position of governmental activities (Statement 2) | <u>\$4,753,062</u> | <u>\$6,479,742</u> |

The accompanying notes are an integral part of these financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Minnehaha Creek Watershed District conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant accounting policies.

A. FINANCIAL REPORTING ENTITY

Minnehaha Creek Watershed District (the District) was created in 1967 under the Minnesota Watershed Act as amended by the Minnesota Water Resources Board as provided in Minnesota Statutes Chapter 112. The District is operated by a seven member Board of Managers appointed by the Hennepin and Carver County Boards of Commissioners for three year terms. Approximately 150 square miles of the District is in Hennepin County, while 30 square miles is in Carver County. The District includes all or part of 27 cities and 3 townships. In accordance with Governmental Accounting Standards Board (GASB) pronouncements and generally accepted accounting principles, the financial statements of the reporting entity should include the primary government and its component units. The District (primary government) does not have any component units.

B. GOVERNMENT-WIDE AND 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 primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*. There are no business-type activities, which rely to a significant extent on fees and charges for services.

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 revenues*.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as 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

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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. However, debt service expenditures are recorded only when payment is due.

Property taxes, 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 the following major governmental fund:

Management Planning Fund Minn. Stat. Sec. 103B.241, subd. 1. - was established for the preparation of an overall plan for projects and improvements, and for projects and improvements to implement the approved plan. The Fund collects an ad valorem tax levy. The District levies out of Minnesota Statute Section 103B. Exhibit 1 shows the breakdown between projects.

D. BUDGETARY DATA

The Board of Managers adopts an annual budget for the Management Planning Fund on an annual basis. During the budget year, supplemental appropriations and deletions are or may be authorized by the Board. The modified accrual basis of accounting is used by the District for budgeting data. All appropriations end with the fiscal year for which they were made.

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed.

E. CASH AND INVESTMENTS

Investments are stated at fair value, except investments in external investment pools that meet GASB Statement No. 79 requirements are stated at amortized cost. The District has reported all investment income, including changes in fair value of investments, as revenue in the operating statements.

F. PROPERTY TAX REVENUE RECOGNITION

The Board of Managers annually adopts a tax levy and certifies it to the County in October (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 City, 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. Delinquent collections for November and December are received the following January. The District has no ability to enforce payment 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 the taxes were levied. Uncollectible property taxes are not material and have not been reported.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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) are classified as due from County. Taxes not collected by the County by December 31 are classified as delinquent taxes receivable. The portion of delinquent taxes not collected by the District in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures

G. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

H. INVENTORIES

The original cost of materials and supplies has been recorded as expenditures at the time of purchase. The District does not maintain material amounts of inventories of goods and supplies.

I. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets, and intangible assets such as computer software, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

| | |
|---|----------|
| Buildings, structures and land improvements | 30 years |
| Equipment | 5 years |
| Vehicles | 5 years |
| Furniture | 5 years |

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and accumulated sick leave benefits that are vested as severance pay are accrued when incurred in the government-wide financial statements.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

K. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. In the fund financial statement, governmental fund types reported the face amount of debt issued as another financing source.

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources expense until that time. The District has one item that qualifies for reporting in this category. It is the pension related deferred outflows of resources reported in the government-wide Statement of Net Position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They are the pension related deferred inflows of resources and the unamortized gain from a bond refunding transaction. The District also has a type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from delinquent property taxes and mortgage receivable.

M. DEFINED BENEFIT PENSION PLANS

For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to and 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.

N. 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:

Nonspendable - 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 Board's intended use. These constraints are established by the District's Board.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Unassigned - is the residual classification for a general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the Board’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 Board’s policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

O. 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.

P. RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Q. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The detail of this (\$20,688,653) difference is as follows:

| | |
|--|---------------------|
| Loans payable | \$15,752,993 |
| Unamortized loan premium | 1,222,035 |
| Accrued interest payable | 93,008 |
| Compensated absences | 163,094 |
| Due to the City of Richfield | 2,084,563 |
| Net pension liability | <u>1,372,960</u> |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$20,688,653</u> |

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the District maintains its deposits at depository banks authorized by the Board of Managers. All such banks 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. Securities pledged as collateral are required to be held in safekeeping by the District or in a financial institution other than that furnishing the collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

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. At December 31, 2020, the carrying amount of the District's deposits was \$20,878,541 and the bank balance was \$20,962,909. The entire bank balance was covered by federal depository insurance, surety bonds or perfected collateral held by the District's agent in the District's name.

B. INVESTMENTS

Subject to rating, yield, maturity and issuer requirements as prescribed by statute, Minnesota Statutes 118A.04 and 118A.05 authorize the District to invest in United States securities, state and local securities, commercial paper, time deposits, high-risk mortgage-backed securities, temporary general obligation bonds, repurchase agreements, Minnesota joint powers investment trust and guaranteed investment contracts.

The District did not invest in any of the above listed investments during 2020.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. The District follows State Statutes in regards to credit risk of investments. The District's investment policy states the District will cross-check all depositories under consideration against existing investments to ensure that funds in excess of insurance limits are not deposited with the same institution unless collateralized.

Interest Rate Risk. Interest rate risk is the risk that changes in the interest rates of debt investments could adversely affect the fair value of an investment. The District's investment policy states that the District will minimize interest rate risk by structuring its investment portfolio to ensure that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the District's investment in a single issuer. The District's investment policy states that they will diversify their investments according to type and maturity and will attempt to match investments with anticipated cash flow requirements.

Custodial Credit Risk- Investments. For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investment securities that is in the possession of an outside party. The District's investment policy states they will obtain collateral for all uninsured amounts on deposit.

The District uses a 3rd party financial advisor to ensure compliance with the above MN State Statutes.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2020

Note 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2020 are as follows:

| | <u>Management Planning</u> |
|---------------------------|--------------------------------|
| Delinquent property taxes | \$69,270 |
| Mortgage receivable | <u>293,816</u> |
| Total | <u><u>\$363,086</u></u> |

Note 4 UNAVAILABLE REVENUES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

| | <u>Property Taxes</u> | <u>Mortgage Receivable</u> | <u>Total</u> |
|--------------------------|---------------------------|--------------------------------|------------------|
| Management Planning Fund | <u>\$113,217</u> | <u>\$293,816</u> | <u>\$407,033</u> |

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------------|--------------------|---------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$28,944,552 | \$ - | \$ - | \$28,944,552 |
| Permanent Easements | 5,333,620 | - | - | 5,333,620 |
| Construction in progress | 116,458 | 12,877 | (129,335) | - |
| Total capital assets, not being depreciated | <u>34,394,630</u> | <u>12,877</u> | <u>(129,335)</u> | <u>34,278,172</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 1,874,912 | - | - | 1,874,912 |
| Land improvements | 1,494,833 | 129,335 | - | 1,624,168 |
| Furniture | 137,836 | - | - | 137,836 |
| Equipment | 348,890 | 222,369 | - | 571,259 |
| Vehicle | 235,905 | - | - | 235,905 |
| Total capital assets, being depreciated | <u>4,092,376</u> | <u>351,704</u> | <u>0</u> | <u>4,444,080</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 408,938 | 62,497 | - | 471,435 |
| Land improvements | 214,145 | 44,275 | - | 258,420 |
| Furniture | 124,906 | 2,984 | - | 127,890 |
| Equipment | 233,122 | 52,758 | - | 285,880 |
| Vehicle | 133,962 | 28,820 | - | 162,782 |
| Total accumulated depreciation | <u>1,115,073</u> | <u>191,334</u> | <u>0</u> | <u>1,306,407</u> |
| Total capital assets being depreciated - net | <u>2,977,303</u> | <u>160,370</u> | <u>0</u> | <u>3,137,673</u> |
| Governmental activities capital assets - net | <u>\$37,371,933</u> | <u>\$173,247</u> | <u>(\$129,335)</u> | <u>\$37,415,845</u> |

Depreciation expense was charged to function/programs of the District as follows:

| | |
|--------------------------|------------------|
| Governmental activities: | |
| General government | \$98,703 |
| Program | 47,314 |
| Projects | 45,317 |
| Total | <u>\$191,334</u> |

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 6 LONG-TERM DEBT

Proceeds from long-term debt were used to provide funds for the acquisition of land and buildings. The District also agreed to service the debt of the City of Richfield that was used to construct the storm water treatment facility.

GOVERNMENTAL ACTIVITIES

As of December 31, 2020, the long-term debt of the financial reporting entity consisted of the following:

| | Interest Rates | Date | Final Maturity Date | Original Issue | Payable 12/31/2020 |
|-------------------------------|----------------|------------|---------------------|---------------------|---------------------|
| Direct borrowings: | | | | | |
| Bonds and notes payable: | | | | | |
| 2013B Hennepin Co bonds | 2.00 - 3.00% | 06/01/2013 | 12/01/2032 | \$7,075,000 | \$4,700,000 |
| 2018 Wells Fargo note | 3.74% | 10/01/2018 | 10/01/2023 | 8,000,000 | 6,000,000 |
| 2019 Bremer Bank note | 2.56% | 11/01/2019 | 11/01/2034 | 1,300,000 | 1,227,993 |
| 2020B Hennepin Co bonds | 5.00% | 09/24/2020 | 12/01/2031 | 3,825,000 | 3,825,000 |
| Due to the City of Richfield: | | | | | |
| Richfield 2013B loan | N/A | 03/21/2013 | 02/01/2033 | 3,455,258 | 151,827 |
| Richfield 2020B loan | N/A | 10/27/2020 | 02/01/2033 | 1,932,736 | 1,932,736 |
| | | | | <u>25,587,994</u> | <u>17,837,556</u> |
| Compensated absences payable | | | | | <u>163,094</u> |
| Total District indebtedness | | | | <u>\$25,587,994</u> | <u>\$18,000,650</u> |

| | 2013B Hennepin Co Bonds | | 2018 Wells Fargo Note | | 2019 Bremer Bank Note | | 2020B Hennepin Co Bonds | |
|-----------|-------------------------|------------------|-----------------------|------------------|-----------------------|------------------|-------------------------|--------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$345,000 | \$117,588 | \$1,500,000 | \$224,400 | \$73,957 | \$30,966 | \$245,000 | \$226,844 |
| 2022 | 355,000 | 107,237 | 1,500,000 | 168,300 | 75,863 | 29,061 | 300,000 | 179,000 |
| 2023 | 360,000 | 100,137 | 3,000,000 | 112,200 | 77,817 | 27,106 | 315,000 | 164,000 |
| 2024 | 370,000 | 92,937 | - | - | 79,822 | 25,102 | 330,000 | 148,250 |
| 2025 | 375,000 | 85,537 | - | - | 81,878 | 23,045 | 345,000 | 131,750 |
| 2026-2030 | 2,010,000 | 298,913 | - | - | 442,142 | 82,474 | 2,015,000 | 381,000 |
| 2031-2034 | 885,000 | 40,050 | - | - | 396,514 | 23,178 | 275,000 | 13,750 |
| Total | <u>\$4,700,000</u> | <u>\$842,399</u> | <u>\$6,000,000</u> | <u>\$504,900</u> | <u>\$1,227,993</u> | <u>\$240,932</u> | <u>\$3,825,000</u> | <u>\$1,244,594</u> |

According to the terms of the loan agreement between the District and Bremer Bank, in the event of default (as defined in the loan agreement) the outstanding unpaid principal balance of the note and any accrued interest thereon shall automatically become immediately due and payable.

During 2013, the District entered into a cooperative agreement with the City of Richfield. The agreement called for the City to finance and design a regional storm water treatment facility. The City issued bonds in the amount of \$2,770,000 to finance the construction, which per the agreement, the District agreed to service. The agreement requires the District to cover the annual debt service payments, both principal and interest.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

During 2020, the City issued 2020B refunding bonds to refund the 2013B bonds on February 1, 2021. At December 31, 2020, the District's obligation to the City included a final payment of \$151,827 towards the 2013B bonds and the outstanding principal and interest balance of the City's 2020B bonds.

Total amount due to the City of Richfield at December 31, 2020 was as follows:

| <u>Due to the City of Richfield</u> | |
|-------------------------------------|--------------------|
| 2021 | \$172,918 |
| 2022 | 148,930 |
| 2023 | 161,380 |
| 2024 | 158,680 |
| 2025 | 160,930 |
| 2026-2030 | 797,075 |
| 2031-2033 | 484,650 |
| Total | <u>\$2,084,563</u> |

It is not practicable to determine the specific year for payment of long-term accrued compensated absences.

CURRENT REFUNDING

On September 24, 2020, Hennepin County issued \$3,825,000 of refunding bonds which are payable by the District. On December 1, 2020, the District used the proceeds, along with \$1,040,000 of the bond premium, to advance refund the 2021 through 2031 maturities of the 2010B and 2011A Hennepin County bonds. The refunding was done to reduce debt service payments over the last eleven years of the bonds by \$835,714 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$806,327.

As a result of the refunding transactions, the District recorded a deferred inflow of resources on its statement of net position equal to the difference between the reacquisition price and the net carrying amount of the old debt. The deferred inflow will be amortized through the year 2031, resulting in a reduction to interest expense of \$31,220 per year.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2020 was as follows:

| | Balance 1/1/2020 | Additions | Deletions | Balance 12/31/2020 | Due Within One Year |
|----------------------------------|---------------------|--------------------|----------------------|-----------------------|------------------------|
| Governmental activities: | | | | | |
| Direct borrowings: | | | | | |
| 2010B Hennepin County bonds | \$1,995,000 | \$ - | (\$1,995,000) | \$ - | \$ - |
| 2011A Hennepin County bonds | 3,245,000 | - | (3,245,000) | - | - |
| 2013B Hennepin County bonds | 5,035,000 | - | (335,000) | 4,700,000 | 345,000 |
| 2018 Wells Fargo note | 7,000,000 | - | (1,000,000) | 6,000,000 | 1,500,000 |
| 2019 Bremer Bank note | 1,300,000 | - | (72,007) | 1,227,993 | 73,957 |
| 2020B Hennepin County bonds | - | 3,825,000 | - | 3,825,000 | 245,000 |
| Due to City of Richfield - 2013B | 2,392,121 | - | (2,240,294) | 151,827 | 151,827 |
| Due to City of Richfield - 2020B | - | 1,932,736 | - | 1,932,736 | 21,091 |
| Compensated absences | 160,468 | 107,994 | (105,368) | 163,094 | 7,886 |
| Total governmental activities | <u>\$21,127,589</u> | <u>\$5,865,730</u> | <u>(\$8,992,669)</u> | <u>\$18,000,650</u> | <u>\$2,344,761</u> |

Note 7 DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION

The District participates in the following cost-sharing multiple-employer defined benefit pension plan 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.

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

B. BENEFITS PROVIDED

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

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 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 ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan 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.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is 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.

C. CONTRIBUTIONS

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5% for Coordinated Plan members. The District contributions to the GERF for the year ended December 31, 2020 were \$123,495. The District's contributions were equal to the required contributions as set by state statute.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

D. PENSION COSTS

At December 31, 2020, the District reported a liability of \$1,372,960 for its proportionate share of GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$42,326. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share 0.0229% at the end of the measurement period and 0.0220% for the beginning of the period.

| | |
|--|--------------------|
| District's proportionate share of the net pension liability | \$1,372,960 |
| State of Minnesota's proportionate share of the net pension liability associated with the District | <u>42,326</u> |
| Total | <u>\$1,415,286</u> |

For the year ended December 31, 2020, the District recognized pension expense of (\$4,770) for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$3,684 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

At December 31, 2020, the District reported its proportionate share of the GERF'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 economic experience | \$12,527 | \$5,194 |
| Changes in actuarial assumptions | - | 51,196 |
| Net collective difference between projected and actual investment earnings | 21,308 | - |
| Changes in proportion | 37,156 | 47,725 |
| Contributions paid to PERA subsequent to the measurement date | <u>61,267</u> | <u>-</u> |
| Total | <u>\$132,258</u> | <u>\$104,115</u> |

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

The \$61,267 reported as deferred outflows of resources related to pensions resulting from District 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 inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended</u> <u>December 31,</u> | <u>Pension</u> <u>Expense</u> |
|--|----------------------------------|
| 2021 | (\$105,096) |
| 2022 | 313 |
| 2023 | 38,489 |
| 2024 | 33,170 |
| Thereafter | - |

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

| | |
|------------------------------|----------------|
| Inflation | 2.50% per year |
| Active Member Payroll Growth | 3.25% per year |
| Investment Rate of Return | 7.50% |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA’s experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for GERF.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for GERF was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

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%.
- As recommended in the June 30, 2019 experience study, assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- The base mortality tables were changed from RP-2014 tables to Pub-2010 tables, 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.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------------|-------------------|--|
| Domestic stocks | 35.5% | 5.10% |
| International stocks | 17.5% | 5.30% |
| Bonds (fixed income) | 20.0% | 0.75% |
| Alternative assets (private markets) | 25.0% | 5.90% |
| Cash | 2.0% | 0.00% |
| Total | 100% | |

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rate set in Minnesota statutes. Based on that assumption, the fiduciary net position of the GERP was 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.

G. PENSION LIABILITY SENSITIVITY

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | 1% Decrease in Discount Rate (6.5%) | Discount Rate (7.5%) | 1% Increase in Discount Rate (8.5%) |
|--|--|----------------------|--|
| Proportionate share of the net pension liability | \$2,200,378 | \$1,372,960 | \$690,406 |

H. 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 at www.mnpera.org.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 8 CONTINGENCIES

The District has indicated that any existing or pending lawsuits, claims or other actions in which the District is a defendant are either covered by insurance; of an immaterial amount; or, in the judgement of the District, remotely recoverable by plaintiffs.

Note 9 FUND BALANCE CLASSIFICATIONS

At December 31, 2020, fund balance classifications for the Management Planning Fund are as follows:

| | <u>Fund Balance</u> |
|--------------------------------|---------------------|
| Nonspendable - prepaid items | \$90,455 |
| Committed for water management | 2,508,404 |
| Assigned for water management | <u>15,200,828</u> |
| Total | <u>\$17,799,687</u> |

Note 10 FEDERAL AND STATE ASSISTED PROGRAMS - COMPLIANCE AUDITS

The District receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the individual fund types included herein or on the overall financial position of the District at December 31, 2020.

Note 11 RISK MANAGEMENT

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The District pays an annual premium to LMCIT and is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. The District's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the LMCIT. The District pays an annual premium to the LMCIT and is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The District retains risk for the deductible portions. Deductibles are considered immaterial to the financial statements.

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

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 12 COMMITTED CONTRACTS

At December 31, 2020, the District had commitments of \$265,725 for uncompleted construction contracts.

Note 13 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 87 *Leases*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 91 *Conduit Debt Obligations*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92 *Omnibus 2020*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 93 *Replacement of Interbank Offered Rates*. The provisions of this Statement contain multiple effective dates, the first being for reporting periods beginning after June 15, 2020.

Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96 *Subscription-Based Information Technology Arrangements*. The provisions of this Statement are effective for fiscal years beginning after June 15, 2022.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 87 may have a material impact.

REQUIRED SUPPLEMENTARY INFORMATION

MINNEHAHA CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MANAGEMENT PLANNING FUND
For The Year Ended December 31, 2020
With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 6

| | Budgeted Amounts | | 2020 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2019 Actual Amounts |
|--|----------------------|----------------------|------------------------|---|------------------------|
| | Original | Final | | | |
| Revenues: | | | | | |
| General property taxes | \$9,675,993 | \$9,675,993 | \$9,643,911 | (\$32,082) | \$9,623,618 |
| Intergovernmental - cost share | 2,058,206 | 2,058,206 | 2,134,050 | 75,844 | 1,466,888 |
| Intergovernmental - other | 157,000 | 157,000 | 330,254 | 173,254 | 580,090 |
| Permits | 88,000 | 88,000 | 36,360 | (51,640) | 70,875 |
| Investment income | 70,000 | 70,000 | 89,736 | 19,736 | 159,170 |
| Other | 11,220 | 11,220 | 16,677 | 5,457 | 100,435 |
| Total revenues | <u>12,060,419</u> | <u>12,060,419</u> | <u>12,250,988</u> | <u>190,569</u> | <u>12,001,076</u> |
| Expenditures: | | | | | |
| District operations and personnel | 3,720,395 | 3,720,395 | 2,867,253 | 853,142 | 3,032,900 |
| Programs | 1,318,251 | 1,318,251 | 731,776 | 586,475 | 939,416 |
| Project implementation | 6,872,626 | 6,872,626 | 3,299,366 | 3,573,260 | 4,686,525 |
| Debt service | 2,604,974 | 2,604,974 | 7,419,897 | (4,814,923) | 2,649,483 |
| Capital outlay | 833,931 | 833,931 | 235,246 | 598,685 | 290,062 |
| Total expenditures | <u>15,350,177</u> | <u>15,350,177</u> | <u>14,553,538</u> | <u>796,639</u> | <u>11,598,386</u> |
| Revenues over (under) expenditures | <u>(3,289,758)</u> | <u>(3,289,758)</u> | <u>(2,302,550)</u> | <u>987,208</u> | <u>402,690</u> |
| Other financing sources (uses): | | | | | |
| Issuance of refunding bonds | - | - | 3,825,000 | 3,825,000 | - |
| Bond premium | - | - | 1,056,517 | 1,056,517 | - |
| Transfers in | - | - | 1,516,791 | 1,516,791 | 1,228,074 |
| Transfers out | - | - | (1,516,791) | (1,516,791) | (1,228,074) |
| Total other financing sources (uses) | <u>0</u> | <u>0</u> | <u>4,881,517</u> | <u>4,881,517</u> | <u>0</u> |
| Net change in fund balance | <u>(\$3,289,758)</u> | <u>(\$3,289,758)</u> | <u>2,578,967</u> | <u>\$5,868,725</u> | <u>402,690</u> |
| Fund balance - January 1 | | | <u>15,220,720</u> | | <u>14,818,030</u> |
| Fund balance - December 31 | | | <u>\$17,799,687</u> | | <u>\$15,220,720</u> |

See accompanying notes to the required supplementary information.

MINNEHAHA CREEK WATERSHED DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
 GENERAL EMPLOYEES RETIREMENT FUND
 For The Last Ten Years

Statement 7

| Measurement Date June 30 | Fiscal Year Ending December 31 | District's Proportionate (Percentage) of the Net Pension Liability | District's Proportionate Share (Amount) of the Net Pension Liability (a) | State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b) | District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with District (a+b) | Covered Payroll (c) | Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a+b)/c | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------------|-----------------------------------|--|--|--|---|---------------------|---|--|
| 2015 | 2015 | 0.0241% | \$1,248,987 | \$ - | \$1,248,987 | \$1,419,427 | 88.0% | 78.2% |
| 2016 | 2016 | 0.0277% | 2,249,103 | 29,414 | 2,278,517 | 1,690,960 | 134.7% | 68.9% |
| 2017 | 2017 | 0.0243% | 1,551,296 | 19,498 | 1,570,794 | 1,564,790 | 100.4% | 75.9% |
| 2018 | 2018 | 0.0228% | 1,264,851 | 41,581 | 1,306,432 | 1,533,239 | 85.2% | 79.5% |
| 2019 | 2019 | 0.0220% | 1,216,331 | 37,832 | 1,254,163 | 1,554,991 | 80.7% | 80.2% |
| 2020 | 2020 | 0.0229% | 1,372,960 | 42,326 | 1,415,286 | 1,632,352 | 86.7% | 79.1% |

The schedule is provided prospectively beginning with the District's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

MINNEHAHA CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS -
GENERAL EMPLOYEES RETIREMENT FUND
For The Last Ten Years

Statement 8

| Fiscal Year Ending December 31 | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (c) | Contributions as a Percentage of Covered Payroll (b/c) |
|--------------------------------------|--|---|---|---------------------------|---|
| 2015 | \$114,171 | \$114,171 | \$ - | \$1,522,278 | 7.5% |
| 2016 | 121,071 | 121,071 | - | 1,614,270 | 7.5% |
| 2017 | 118,539 | 118,539 | - | 1,580,527 | 7.5% |
| 2018 | 114,075 | 114,075 | - | 1,521,002 | 7.5% |
| 2019 | 121,394 | 121,394 | - | 1,618,594 | 7.5% |
| 2020 | 123,495 | 123,495 | - | 1,646,432 | 7.5% |

The schedule is provided prospectively beginning with the District's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

See accompanying notes to the required supplementary information.

MINNEHAHA CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2020

Note A LEGAL COMPLIANCE – BUDGETS

The Management Planning Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level for the Management Planning Fund.

Note B PENSION INFORMATION

PERA – General Employees Retirement Fund

2020 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%.
- As recommended in the June 30, 2019 experience study, assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- The base mortality tables were changed from RP-2014 tables to Pub-2010 tables, 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.

2020 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.

2019 Changes in Actuarial Assumptions:

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

2019 Changes in the 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 in Actuarial Assumptions:

- The mortality 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.

2017 Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

MINNEHAHA CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2020

- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes in Actuarial Assumptions:

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

SUPPLEMENTARY FINANCIAL INFORMATION

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2020

| | 1002 General | 1003 Information Technology | 1005 Facility Maintenance | 2001 Permit Administration |
|--|---------------------------|--------------------------------|---------------------------------|-------------------------------|
| Revenues: | | | | |
| General property taxes | \$1,056,475 | \$465,332 | \$414,000 | \$612,822 |
| Intergovernmental - cost share | - | - | - | - |
| Intergovernmental - other | 1,531 | - | - | - |
| Permits | - | - | - | 36,360 |
| Investment income | 89,736 | - | - | - |
| Other | 20,062 | - | - | 182 |
| Total revenues | <u>1,167,804</u> | <u>465,332</u> | <u>414,000</u> | <u>649,364</u> |
| Expenditures: | | | | |
| General government: | | | | |
| District operations and personnel | 793,254 | 168,575 | 10,898 | 433,947 |
| Programs | - | - | - | 261,072 |
| Projects | - | - | 46,716 | - |
| Debt service: | | | | |
| Principal | 72,008 | - | - | - |
| Interest | 32,915 | - | - | - |
| Capital outlay | - | 72,645 | - | - |
| Total expenditures | <u>898,177</u> | <u>241,220</u> | <u>57,614</u> | <u>695,019</u> |
| Revenues over (under) expenditures | <u>269,627</u> | <u>224,112</u> | <u>356,386</u> | <u>(45,655)</u> |
| Other financing sources (uses): | | | | |
| Issuance of refunding bonds | - | - | - | - |
| Bond premium | - | - | - | - |
| Transfers in | 512,898 | - | - | 72,859 |
| Transfers out | (34,665) | - | - | (27,204) |
| Total other financing sources (uses) | <u>478,233</u> | <u>0</u> | <u>0</u> | <u>45,655</u> |
| Net change in fund balance | 747,860 | 224,112 | 356,386 | 0 |
| Fund balance - January 1 | <u>1,242,907</u> | <u>82,713</u> | <u>-</u> | <u>-</u> |
| Fund balance - December 31 | <u><u>\$1,990,767</u></u> | <u><u>\$306,825</u></u> | <u><u>\$356,386</u></u> | <u><u>\$0</u></u> |

| 2002 Planning & Projects | 2003 Maintenance | 2004 Land Conservation | 2007 Rules Revision | 3106 Six Mile Marsh Prairie Restoration | 3140 Taft/Legion Feasibility Study |
|-----------------------------|------------------|---------------------------|---------------------|--|---------------------------------------|
| \$1,080,804 | \$854,762 | \$2,738,780 | \$65,000 | \$67,500 | \$171,905 |
| - | - | - | - | - | - |
| 27,343 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | (7,180) | - | - | - |
| <u>1,108,147</u> | <u>854,762</u> | <u>2,731,600</u> | <u>65,000</u> | <u>67,500</u> | <u>171,905</u> |
| 716,234 | 210,157 | - | - | - | - |
| - | - | - | - | - | - |
| 120,055 | 294,941 | 22,687 | 20,102 | - | 4,250 |
| - | - | 6,575,000 | - | - | 169,905 |
| - | - | 570,069 | - | - | - |
| - | - | - | - | - | - |
| <u>836,289</u> | <u>505,098</u> | <u>7,167,756</u> | <u>20,102</u> | <u>0</u> | <u>174,155</u> |
| 271,858 | 349,664 | (4,436,156) | 44,898 | 67,500 | (2,250) |
| - | - | 3,825,000 | - | - | - |
| - | - | 1,056,517 | - | - | - |
| - | - | - | - | - | 2,250 |
| (91,283) | (505,176) | - | (22,047) | - | (4,237) |
| <u>(91,283)</u> | <u>(505,176)</u> | <u>4,881,517</u> | <u>(22,047)</u> | <u>0</u> | <u>(1,987)</u> |
| 180,575 | (155,512) | 445,361 | 22,851 | 67,500 | (4,237) |
| 17,487 | 179,676 | 8,496,887 | 22,047 | 125,000 | 4,237 |
| <u>\$198,062</u> | <u>\$24,164</u> | <u>\$8,942,248</u> | <u>\$44,898</u> | <u>\$192,500</u> | <u>\$0</u> |

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2020

| | 3145 Blake Road Stormwater Management | 3146 Cottageville Park | 3147 54th St Stream Restoration | 3148 FEMA Flood Repair |
|--|---|---------------------------|---------------------------------------|---------------------------|
| Revenues: | | | | |
| General property taxes | \$ - | \$276,000 | \$35,860 | \$ - |
| Intergovernmental - cost share | - | - | 86,560 | - |
| Intergovernmental - other | - | - | 55,000 | 30,490 |
| Permits | - | - | - | - |
| Investment income | - | - | - | - |
| Other | 854 | - | 2,759 | - |
| Total revenues | <u>854</u> | <u>276,000</u> | <u>180,179</u> | <u>30,490</u> |
| Expenditures: | | | | |
| General government: | | | | |
| District operations and personnel | - | - | - | - |
| Programs | - | - | - | - |
| Projects | 179,342 | - | 296,386 | 38,253 |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>179,342</u> | <u>0</u> | <u>296,386</u> | <u>38,253</u> |
| Revenues over (under) expenditures | <u>(178,488)</u> | <u>276,000</u> | <u>(116,207)</u> | <u>(7,763)</u> |
| Other financing sources (uses): | | | | |
| Issuance of refunding bonds | - | - | - | - |
| Bond premium | - | - | - | - |
| Transfers in | - | - | 75,157 | - |
| Transfers out | - | - | - | (153,631) |
| Total other financing sources (uses) | <u>0</u> | <u>0</u> | <u>75,157</u> | <u>(153,631)</u> |
| Net change in fund balance | (178,488) | 276,000 | (41,050) | (161,394) |
| Fund balance - January 1 | <u>2,647,308</u> | <u>55,854</u> | <u>245,290</u> | <u>202,631</u> |
| Fund balance - December 31 | <u><u>\$2,468,820</u></u> | <u><u>\$331,854</u></u> | <u><u>\$204,240</u></u> | <u><u>\$41,237</u></u> |

| 3149 Highway 101 Causeway | 3150 Meadowbrook Golf Course | 3152 SWLRT Trail Connection | 3153 Wassermann West Project | 3155 Minneapolis Stormwater Mgmt | 3156 Wassermann Internal Load Mgmt |
|------------------------------|---------------------------------|-----------------------------------|---------------------------------|-------------------------------------|--|
| \$ - | \$ - | \$ - | \$62,302 | \$ - | \$ - |
| 30,000 | - | - | 2,017,490 | - | - |
| - | - | - | 3,308 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>30,000</u> | <u>0</u> | <u>0</u> | <u>2,083,100</u> | <u>0</u> | <u>0</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 9,206 | - | 335 | 2,245,805 | - | 21,288 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 31,250 | - | - |
| <u>9,206</u> | <u>0</u> | <u>335</u> | <u>2,277,055</u> | <u>0</u> | <u>21,288</u> |
| <u>20,794</u> | <u>0</u> | <u>(335)</u> | <u>(193,955)</u> | <u>0</u> | <u>(21,288)</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 8,633 | - | 255,000 | 128,441 | 390,373 | 71,180 |
| (29,427) | - | - | - | - | - |
| <u>(20,794)</u> | <u>0</u> | <u>255,000</u> | <u>128,441</u> | <u>390,373</u> | <u>71,180</u> |
| 0 | 0 | 254,665 | (65,514) | 390,373 | 49,892 |
| - | 513,353 | - | 208,894 | 250,000 | - |
| <u>\$0</u> | <u>\$513,353</u> | <u>\$254,665</u> | <u>\$143,380</u> | <u>\$640,373</u> | <u>\$49,892</u> |

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2020

| | 3500 Responsive CIP | 4001 Stewardship Grant Program | 4002 Outreach |
|--|-------------------------|-----------------------------------|-------------------------|
| Revenues: | | | |
| General property taxes | \$ - | \$ - | \$701,320 |
| Intergovernmental - cost share | - | - | - |
| Intergovernmental - other | - | - | - |
| Permits | - | - | - |
| Investment income | - | - | - |
| Other | - | - | - |
| Total revenues | <u>0</u> | <u>0</u> | <u>701,320</u> |
| Expenditures: | | | |
| General government: | | | |
| District operations and personnel | - | 336 | 147,298 |
| Programs | - | - | 42,312 |
| Projects | - | - | - |
| Debt service: | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| Capital outlay | - | - | - |
| Total expenditures | <u>0</u> | <u>336</u> | <u>189,610</u> |
| Revenues over (under) expenditures | <u>0</u> | <u>(336)</u> | <u>511,710</u> |
| Other financing sources (uses): | | | |
| Issuance of refunding bonds | - | - | - |
| Bond premium | - | - | - |
| Transfers in | - | - | - |
| Transfers out | - | - | (479,029) |
| Total other financing sources (uses) | <u>0</u> | <u>0</u> | <u>(479,029)</u> |
| Net change in fund balance | 0 | (336) | 32,681 |
| Fund balance - January 1 | <u>250,000</u> | <u>5,721</u> | <u>89,991</u> |
| Fund balance - December 31 | <u><u>\$250,000</u></u> | <u><u>\$5,385</u></u> | <u><u>\$122,672</u></u> |

| 4005 Cost Share Program | 5001 Water Quality | 5005 AIS Program | 5007 SMCHB- Carp Management | Total All Projects |
|----------------------------|-----------------------|------------------|--------------------------------|---------------------|
| \$ - | \$961,049 | \$80,000 | \$ - | \$9,643,911 |
| - | - | - | - | 2,134,050 |
| (10,668) | 37,636 | - | 185,614 | 330,254 |
| - | - | - | - | 36,360 |
| - | - | - | - | 89,736 |
| - | - | - | - | 16,677 |
| <u>(10,668)</u> | <u>998,685</u> | <u>80,000</u> | <u>185,614</u> | <u>12,250,988</u> |
| - | 386,429 | - | 125 | 2,867,253 |
| 80,235 | 193,440 | 68,983 | 85,734 | 731,776 |
| - | - | - | - | 3,299,366 |
| - | - | - | - | 6,816,913 |
| - | - | - | - | 602,984 |
| - | 118,474 | - | 12,877 | 235,246 |
| <u>80,235</u> | <u>698,343</u> | <u>68,983</u> | <u>98,736</u> | <u>14,553,538</u> |
| <u>(90,903)</u> | <u>300,342</u> | <u>11,017</u> | <u>86,878</u> | <u>(2,302,550)</u> |
| - | - | - | - | 3,825,000 |
| - | - | - | - | 1,056,517 |
| - | - | - | - | 1,516,791 |
| - | (148,902) | (21,190) | - | (1,516,791) |
| <u>0</u> | <u>(148,902)</u> | <u>(21,190)</u> | <u>0</u> | <u>4,881,517</u> |
| (90,903) | 151,440 | (10,173) | 86,878 | 2,578,967 |
| 496,702 | 73,849 | 10,173 | - | 15,220,720 |
| <u>\$405,799</u> | <u>\$225,289</u> | <u>\$0</u> | <u>\$86,878</u> | <u>\$17,799,687</u> |

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OTHER INFORMATION SECTION - UNAUDITED

MINNEHAHA CREEK WATERSHED DISTRICT
MARKET VALUES BY WATERSHED - UNAUDITED

For Taxes Payable in 2020

| Watershed | Estimated Market Value | | |
|-------------------------------|------------------------|--------------------------|--------------------------|
| | Personal | Real | Total |
| 1 Nine Mile Creek | \$97,212,900 | \$21,838,079,700 | \$21,935,292,600 |
| 2 Elm Creek WMO | 161,996,200 | 14,476,816,499 | 14,638,812,699 |
| 3 Lower MN River | 674,627,900 | 3,978,244,500 | 4,652,872,400 |
| 4 Minnehaha Creek | 295,700,736 | 54,524,821,200 | 54,820,521,936 |
| 5 Riley Purgatory | 102,922,200 | 11,933,661,500 | 12,036,583,700 |
| 6 Rice Creek | 839,900 | 183,009,100 | 183,849,000 |
| 7 Middle Mississippi | 265,460,600 | 34,551,654,400 | 34,817,115,000 |
| 8 Bassett Creek | 111,796,500 | 15,587,497,000 | 15,699,293,500 |
| 9 Shingle Creek | 106,987,200 | 15,219,736,700 | 15,326,723,900 |
| 10 West Mississippi Watershed | 54,655,700 | 7,581,157,250 | 7,635,812,950 |
| County total | <u>\$1,872,199,836</u> | <u>\$179,874,677,849</u> | <u>\$181,746,877,685</u> |

Source: Hennepin County Taxpayer Services - Property Tax - Tax Accounting

| Taxable Market Value | | | Referendum Market Value | | |
|------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|
| Personal | Real | Total | Personal | Real | Total |
| \$97,212,900 | \$21,502,244,763 | \$21,599,457,663 | \$97,212,900 | \$21,725,611,675 | \$21,822,824,575 |
| 161,996,200 | 14,189,959,081 | 14,351,955,281 | 161,996,200 | 14,069,228,874 | 14,231,225,074 |
| 674,627,900 | 3,886,163,295 | 4,560,791,195 | 670,196,900 | 3,935,956,125 | 4,606,153,025 |
| 295,700,736 | 53,797,290,668 | 54,092,991,404 | 295,700,736 | 53,455,057,050 | 53,750,757,786 |
| 102,922,200 | 11,755,291,678 | 11,858,213,878 | 102,922,200 | 11,865,166,225 | 11,968,088,425 |
| 839,900 | 178,964,603 | 179,804,503 | 839,900 | 182,559,100 | 183,399,000 |
| 264,881,550 | 34,016,515,495 | 34,281,397,045 | 260,869,700 | 34,166,282,547 | 34,427,152,247 |
| 111,796,500 | 15,222,482,294 | 15,334,278,794 | 111,796,500 | 15,472,481,550 | 15,584,278,050 |
| 106,987,200 | 14,563,824,698 | 14,670,811,898 | 106,987,200 | 15,070,547,525 | 15,177,534,725 |
| 54,655,700 | 7,269,936,140 | 7,324,591,840 | 54,655,700 | 7,471,450,750 | 7,526,106,450 |
| <u>\$1,871,620,786</u> | <u>\$176,382,672,715</u> | <u>\$178,254,293,501</u> | <u>\$1,863,177,936</u> | <u>\$177,414,341,421</u> | <u>\$179,277,519,357</u> |

MINNEHAHA CREEK WATERSHED DISTRICT
SCHEDULE OF EXPENDITURES - LAND CONSERVATION AND COLD STORAGE - UNAUDITED
ACCOUNTS 2004 AND 6001

| | <u>Prior Years</u> | <u>12/31/2011</u> | <u>12/31/2012</u> | <u>12/31/2013</u> | <u>12/31/2014</u> |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|
| Land Conservation and Cold Storage | | | | | |
| Expenses: | | | | | |
| Operations and projects | \$1,119,412 | \$1,038,972 | \$1,511,286 | \$1,645,924 | \$1,512,166 |
| Capital outlay: | | | | | |
| Whitman property | 900,000 | - | - | - | - |
| Walders property | 90,000 | - | - | - | - |
| Chute Property | 1,539,050 | - | - | - | - |
| Dierks Property | 2,710,383 | - | - | - | - |
| Waldera Property | 539,963 | - | - | - | - |
| Rye Property | 418,026 | - | - | - | - |
| Weis Property | 1,030,000 | - | - | - | - |
| Barkus Property | 220,094 | - | - | - | - |
| Broing Property | 1,128,206 | - | - | - | - |
| Ugorets Property | 351,044 | - | - | - | - |
| Nemar Property | 331,514 | - | - | - | - |
| Halstead Drive (Halverson) | - | 2,316,264 | - | - | - |
| Cold Storage Facility | - | 15,118,964 | - | - | - |
| 7701 Halstead Drive | - | - | 2,278,518 | - | - |
| 1308 Lake Street | - | - | 192,235 | - | - |
| 1312 Lake Street | - | - | 182,436 | - | - |
| Katy Hills Easement | - | - | 56,774 | - | - |
| Jane and James Hesse Easement | - | - | - | - | - |
| Farmhill Circle | - | - | - | - | - |
| Capitalized for audit | 9,258,280 | 17,435,228 | 2,709,963 | - | - |
| Building purchases not capitalized* | 2,045,000 | - | - | - | - |
| Total capital outlay | 11,303,280 | 17,435,228 | 2,709,963 | 0 | 0 |
| Total expenditures** | \$12,422,692 | \$18,474,200 | \$4,221,249 | \$1,645,924 | \$1,512,166 |

* This was the portion of the Ugorets and Nemar properties that was not capitalized for the audit. The amount is related to the price of the buildings on the property, which were being demolished and, therefore, were not capital assets to depreciate.

** The total expenditures does not include debt service payments, issuance expense, and transfers out.

| <u>12/31/2015</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2018</u> | <u>12/31/2019</u> | <u>12/31/2020</u> | <u>Total</u> |
|---|--------------------|--------------------|--------------------|-------------------|-------------------|---------------------|
| Land Conservation and Cold Storage | | | | | | |
| \$1,567,901 | \$1,458,808 | \$1,511,482 | \$757,023 | \$2,726 | \$22,687 | \$12,148,387 |
| - | - | - | - | - | - | 900,000 |
| - | - | - | - | - | - | 90,000 |
| - | - | - | - | - | - | 1,539,050 |
| - | - | - | - | - | - | 2,710,383 |
| - | - | - | - | - | - | 539,963 |
| - | - | - | - | - | - | 418,026 |
| - | - | - | - | - | - | 1,030,000 |
| - | - | - | - | - | - | 220,094 |
| - | - | - | - | - | - | 1,128,206 |
| - | - | - | - | - | - | 351,044 |
| - | - | - | - | - | - | 331,514 |
| - | - | - | - | - | - | 2,316,264 |
| - | - | - | - | - | - | 15,118,964 |
| - | - | - | - | - | - | 2,278,518 |
| - | - | - | - | - | - | 192,235 |
| - | - | - | - | - | - | 182,436 |
| - | - | - | - | - | - | 56,774 |
| - | 80,000 | - | - | - | - | 80,000 |
| - | - | - | 452,096 | - | - | 452,096 |
| - | 80,000 | - | 452,096 | - | - | 29,935,567 |
| - | - | - | - | - | - | 2,045,000 |
| <u>0</u> | <u>80,000</u> | <u>0</u> | <u>452,096</u> | <u>0</u> | <u>0</u> | <u>31,980,567</u> |
| <u>\$1,567,901</u> | <u>\$1,538,808</u> | <u>\$1,511,482</u> | <u>\$1,209,119</u> | <u>\$2,726</u> | <u>\$22,687</u> | <u>\$44,128,954</u> |

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OTHER REQUIRED REPORTS

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REPORT ON INTERNAL CONTROL

To the Board of Managers
Minnehaha Creek Watershed District
Minnetonka, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Minnehaha Creek Watershed District as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Minnehaha Creek Watershed District's internal control over financial reporting (internal control) 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 Minnehaha Creek Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Minnehaha Creek Watershed District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Minnehaha Creek Watershed District's Board of Managers, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 8, 2021

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MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Managers
Minnehaha Creek Watershed District
Minnetonka, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Minnehaha Creek Watershed District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Minnehaha Creek Watershed District's basic financial statements, and have issued our report thereon dated April 8, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that Minnehaha Creek Watershed District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota 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 Minnehaha Creek Watershed District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 8, 2021

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