

# Annual Financial Report

Riley Purgatory Bluff Creek Watershed District  
Chanhassen, Minnesota

For the Year Ended  
December 31, 2020

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Riley Purgatory Bluff Creek Watershed District  
 Chanhassen, Minnesota  
 Annual Financial Report  
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 For the Year Ended December 31, 2020

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INTRODUCTORY SECTION  
RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT  
CHANHASSEN, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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Riley Purgatory Bluff Creek Watershed District  
Chanassen, Minnesota  
Board of Managers and Appointed Officials  
For the Year Ended December 31, 2020

**BOARD OF MANAGERS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dick Ward	President	07/01/23
Dorothy Pedersen	Vice President	07/01/23
Jill Crafton	Treasurer	07/01/21
David Ziegler	Secretary	07/01/22
Larry Koch	Manager	07/01/21

**APPOINTED OFFICIALS**

Claire Bleser	District Administrator
Smith Partners PLLP	District Council
Barr Engineering	District Engineer

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FINANCIAL SECTION  
RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT  
CHANHASSEN, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Managers  
Riley Purgatory Bluff Creek Watershed District  
Chanhassen, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of the Riley Purgatory Bluff Creek Watershed District, Minnesota (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the 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 District'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 District'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 major fund of the District as of December 31, 2020 and the respective changes in financial position and the budgetary comparison for the 509 Plan Implementation fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## Other Matters

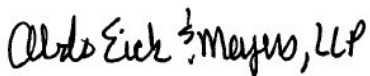
### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, starting on page 50 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 the District's basic financial statements. The introductory section is presented for purposes of additional analysis and are not a required part of the basic financial statement.

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



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
May 26, 2021

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## **Management's Discussion and Analysis**

As management of the Riley Purgatory Bluff Creek Watershed District (the District), Chanhassen, Minnesota, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section.

### **Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,382,684 (net position). Of this amount, \$5,644,109 (unrestricted net position) may be used to meet the District's ongoing obligations.
- The District's total net position decreased by \$464,679, which is mostly due to project, program and general government costs exceeding current year levy and partnership revenues during the year. The District has been building reserves for payment of current and future projects.
- As of the close of the current fiscal year, the District's governmental fund reported ending fund balances of \$5,926,225, a decrease of \$407,373 in comparison with the prior year.
- The ending 509 Plan Implementation fund balance is \$5,926,225, which is made up of nonspendable (\$39,158), assigned (\$214,180), and (\$5,672,887) committed fund balance. The total fund balance is 78.4 percent of the 2021 budgeted expenditures.

## Overview of the Financial Statements

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another.

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

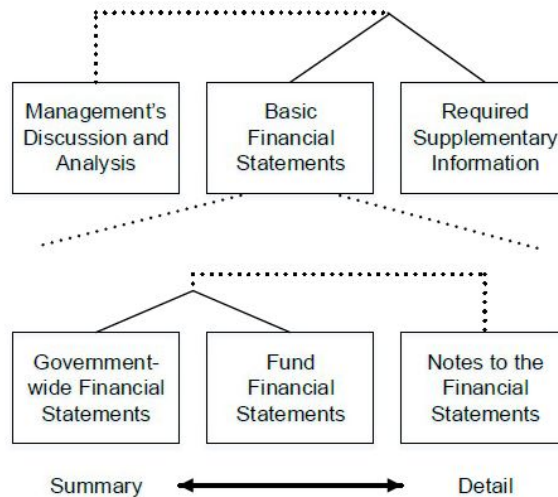


Figure 2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements	
	Government-wide Statements	Governmental Funds
Scope	Entire District	The activities of the District
Required financial statements	<ul style="list-style-type: none"> <li>Statement of Net Position</li> <li>Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance Sheet</li> <li>Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/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 District's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the 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., grants and earned but unused vacation and sick leave).

The governmental activities of the District include general government and program costs. The government-wide financial statements start on page 24 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently maintains one governmental fund.

**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 sheets and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its 509 Plan Implementation fund. A budgetary comparison statement has been provided for the 509 Plan Implementation fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 28 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 start on page 33 of this report.

**Required Supplementary Information.** This report also presents certain required supplementary information concerning the progress in funding its obligation to provide pension to its employees. Required supplementary information can be found starting on page 50 of this report.

## 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 District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,382,684 at the close of the most recent fiscal year.

The largest portion, 88.4 percent (\$5,644,109) of the District's net position are unrestricted and available to meet the ongoing needs of the District. 11.6 percent or \$738,575 reflects its net investment in capital assets (e.g., land, land improvements, and permanent easements).

### Riley Purgatory Bluff Creek Watershed District's Summary of Net Position

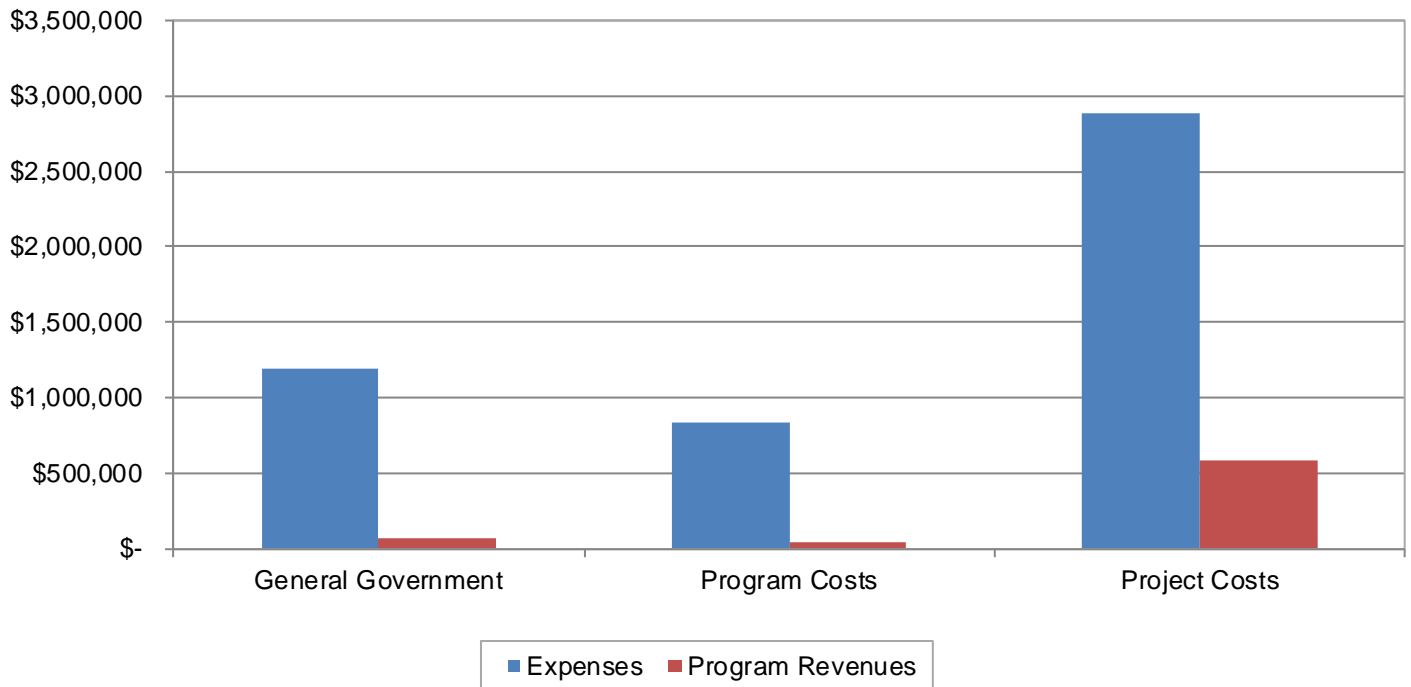
	December 31,		Increase (Decrease)
	2020	2019	
<b>Assets</b>			
Current	\$ 7,155,303	\$ 8,180,041	\$ (1,024,738)
Capital assets, net	738,575	768,521	(29,946)
<b>Total Assets</b>	<u>7,893,878</u>	<u>8,948,562</u>	<u>(1,054,684)</u>
<b>Deferred Outflows of Resources</b>			
Pension resources	<u>112,406</u>	<u>120,605</u>	<u>(8,199)</u>
<b>Liabilities</b>			
Current	1,194,286	1,810,440	(616,154)
Noncurrent	<u>410,703</u>	<u>352,499</u>	<u>58,204</u>
<b>Total Liabilities</b>	<u>1,604,989</u>	<u>2,162,939</u>	<u>(557,950)</u>
<b>Deferred Outflows of Resources</b>			
Pension resources	<u>18,611</u>	<u>58,865</u>	<u>(40,254)</u>
<b>Net Position</b>			
Investment in capital assets	738,575	768,521	(29,946)
Unrestricted	<u>5,644,109</u>	<u>6,078,842</u>	<u>(434,733)</u>
<b>Total Net Position</b>	<u>\$ 6,382,684</u>	<u>\$ 6,847,363</u>	<u>\$ (464,679)</u>

**Governmental Activities.** Governmental activities decreased the District's net position by \$464,679, which was mostly due to project, program and general government expense exceeding revenues during the year.

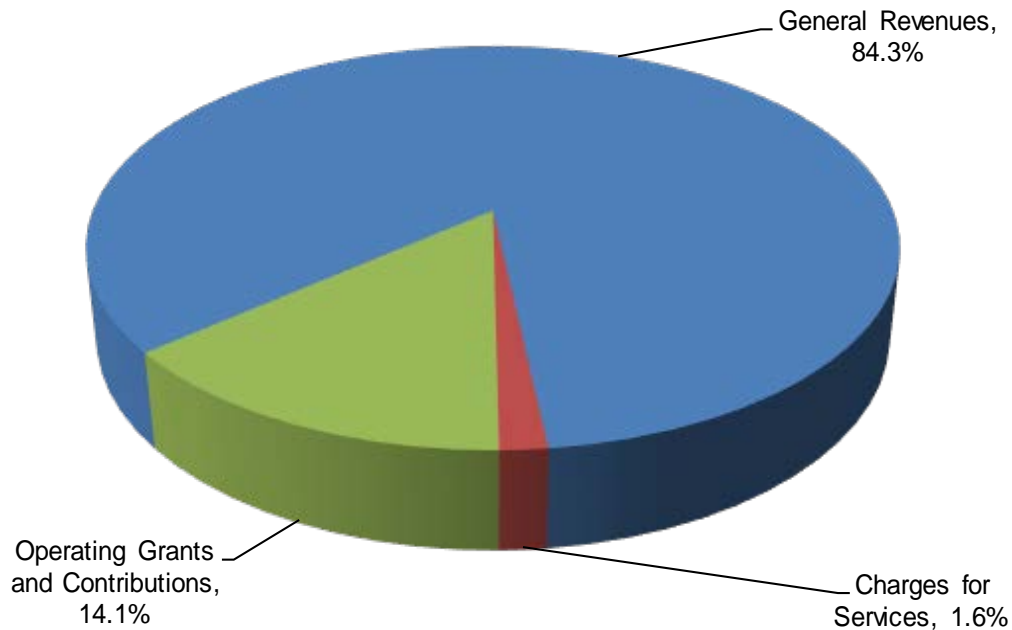
### Riley Purgatory Bluff Creek Watershed District's Changes in Net Position

	December 31,		Increase (Decrease)
	2020	2019	
Revenues			
Program			
Charges for services	\$ 71,640	\$ 44,344	\$ 27,296
Operating grants and contributions	626,479	169,285	457,194
Capital grants and contribution	-	295,950	(295,950)
General			
Property taxes	3,702,672	3,588,077	114,595
Unrestricted investment earnings	29,900	109,652	(79,752)
Gants and contributions not restricted to specific programs	15,867	5,299	10,568
Total Revenues	<u>4,446,558</u>	<u>4,212,607</u>	<u>233,951</u>
Expenses			
General government	1,193,300	1,200,266	(6,966)
Program costs	834,979	625,572	209,407
Project costs	<u>2,882,958</u>	<u>710,935</u>	<u>2,172,023</u>
Total Expenses	<u>4,911,237</u>	<u>2,536,773</u>	<u>2,374,464</u>
Change in Net Position	(464,679)	1,675,834	(2,140,513)
Net Position, January 1	<u>6,847,363</u>	<u>5,171,529</u>	<u>1,675,834</u>
Net Position, December 31	<u>\$ 6,382,684</u>	<u>\$ 6,847,363</u>	<u>\$ (464,679)</u>

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



## Revenues by Source - Governmental Activities



### Financial Analysis of the Government's Funds

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

**Governmental Funds.** The focus of the 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 District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund reported ending fund balances of \$5,926,225, a decrease of \$407,373 in comparison with the prior year. The total fund balance is split between three designations. 1) Nonspendable (\$39,158) for prepaid items 2) Assigned (\$214,180) for 509 plan implementation, and 3) Committed (\$5,672,887) for 509 plan implementation.

The 509 Plan Implementation fund is the chief operating fund of the District. At the end of the current year, the fund balance of the 509 Plan Implementation fund was \$5,926,225. As a measure of the 509 Plan Implementation fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 122.1 percent of 2020 actual expenditures. The 509 Implementation fund balance decreased by \$407,373 during the current fiscal year.

### Budgetary Highlights

The District's 509 Plan Implementation budget was not amended during the year. The actual revenues results were more favorable than those projected by the 2020 budget. Revenues were over budget by \$643,801. The largest variance was in partner funds which was over budget by \$550,498. Expenditures were under budget by \$1,721,826. The largest variance was related to project costs which were over budget by \$440,042, which is due the timing of the Riley Creek project which was part of a past levy.

## Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2020 amounts to \$738,575 (net of accumulated depreciation). This investment in capital assets includes land, easements, infrastructure, and land improvements.

### Riley Purgatory Bluff Creek Watershed District's Capital Assets (Net of Depreciation)

	December 31,		Increase (Decrease)
	2020	2019	
Land	\$ 627,043	\$ 627,043	\$ -
Equipment, Boats and Vehicles	92,518	119,007	(26,489)
Intangibles	19,014	22,471	(3,457)
Total	<u>\$ 738,575</u>	<u>\$ 768,521</u>	<u>\$ (29,946)</u>

Additional information on the District's capital assets can be found in Note 3B on page 41 of this report.

## Economic Factors and Next Year's Budgets

In 2020, the Watershed District levied remained in line with the proposed budget as outlined in the 2018 10-Year Watershed Management Plan. Even though this was a 2.7% increase from the previous year, the District's Budget increased by 19% due to project being carried over from previous years.

## Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Riley Purgatory Bluff Creek Watershed District, 18681 Lake Drive East, Chanhassen, MN 55317.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS  
RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT  
CHANHASSEN, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

Riley Purgatory Bluff Creek Watershed District  
 Chanhassen, Minnesota  
 Statement of Net Position  
 December 31, 2020

	Governmental Activities
Assets	
Cash and temporary investments	\$ 6,572,169
Receivables	
Accounts	6,712
Accrued interest	8
Taxes	63,376
Due from other governments	473,880
Prepaid items	39,158
Capital assets	
Nondepreciable assets	627,043
Depreciable assets, net of accumulated depreciation	111,532
Total Assets	7,893,878
Deferred Outflows of Resources	
Deferred pension resources	112,406
Liabilities	
Accounts payable	272,177
Accrued salaries payable	23,348
Due to other governments	56,425
Deposits payable	659,183
Unearned revenue	183,153
Noncurrent liabilities	
Due within one year	
Compensated absences payable	31,068
Due in more than one year	
Compensated absences payable	19,908
Net pension liability	359,727
Total Liabilities	1,604,989
Deferred Inflows of Resources	
Deferred pension resources	18,611
Net Position	
Investment in capital assets	738,575
Unrestricted	5,644,109
Total Net Position	\$ 6,382,684

The notes to the financial statements are an integral part of this statement.



Riley Purgatory Bluff Creek Watershed District  
 Chanhassen, Minnesota  
 Statement of Activities  
 For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 1,193,300	\$ 71,640	\$ 3,200	\$ -	\$ (1,118,460)
Program costs	834,979	-	41,417	-	(793,562)
Project costs	2,882,958	-	581,862	-	(2,301,096)
<b>Total</b>	<b>\$ 4,911,237</b>	<b>\$ 71,640</b>	<b>\$ 626,479</b>	<b>\$ -</b>	<b>(4,213,118)</b>
General Revenues					
Property taxes					3,702,672
Unrestricted investment earnings					29,900
Other revenues					15,867
Total General Revenues					<u>3,748,439</u>
Change in Net Position					(464,679)
Net Position, January 1					<u>6,847,363</u>
Net Position, December 31					<u>\$ 6,382,684</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS  
RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT  
CHANHASSEN, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

Riley Purgatory Bluff Creek Watershed District  
 Chanhassen, Minnesota  
 Balance Sheet  
 Governmental Funds  
 December 31, 2020

	<u>509 Plan Implementation</u>
<b>Assets</b>	
Cash and temporary investments	\$ 6,572,169
Receivables	
Accounts	6,712
Accrued interest	8
Taxes	63,376
Due from other governments	473,880
Prepaid items	<u>39,158</u>
Total Assets	<u><u>\$ 7,155,303</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 272,177
Accrued salaries payable	23,348
Due to other governments	56,425
Deposits payable	659,183
Unearned revenue	<u>183,153</u>
Total Liabilities	<u>1,194,286</u>
<b>Deferred Inflows of Resources</b>	
Unavailable revenue - taxes	<u>34,792</u>
<b>Fund Balances</b>	
Nonspendable - prepaid items	39,158
Committed for planning and implementation	5,672,887
Assigned for 509 plan implementation	<u>214,180</u>
Total Fund Balances	<u>5,926,225</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 7,155,303</u></u>

The notes to the financial statements are an integral part of this statement.

Riley Purgatory Bluff Creek Watershed District  
 Chanhassen, Minnesota  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Position  
 Governmental Funds  
 December 31, 2020

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

Total Fund Balances - Governmental	\$ 5,926,225
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>	
Cost of capital assets	872,467
Less accumulated depreciation	(133,892)
<p>Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>	
<p>Noncurrent liabilities at year-end consist of</p>	
Compensated absences payable	(50,976)
Net pension liability	(359,727)
<p>Some receivables are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds.</p>	
Taxes receivable	34,792
<p>Governmental funds do not report long-term amounts related to pensions.</p>	
Deferred outflows of pension resources	112,406
Deferred inflows of pension resources	(18,611)
Total Net Position - Governmental Activities	\$ 6,382,684

The notes to the financial statements are an integral part of this statement.

Riley Purgatory Bluff Creek Watershed District  
 Chanhassen, Minnesota  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended December 31, 2020

	<u>509 Plan Implementation</u>
Revenues	
Property taxes	\$ 3,703,883
Permit income	71,640
Partner funds	550,498
Intergovernmental	76,051
Interest on investments	29,900
Miscellaneous	14,829
Total Revenues	<u>4,446,801</u>
 Expenditures	
Current	
General government	1,158,632
Programs	796,558
Project	2,882,958
Capital outlay	
Programs	16,026
Total Expenditures	<u>4,854,174</u>
 Net Change in Fund Balances	 (407,373)
 Fund Balances, January 1	 <u>6,333,598</u>
 Fund Balances, December 31	 <u>\$ 5,926,225</u>

The notes to the financial statements are an integral part of this statement.

Riley Purgatory Bluff Creek Watershed District  
 Chanhassen, Minnesota  
 Reconciliation of the Statement of  
 Revenues, Expenditures and Changes in Fund Balances  
 to the Statement of Activities  
 Governmental Funds  
 For the Year Ended December 31, 2020

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

Total Net Change in Fund Balances - Governmental Funds	\$ (407,373)
<p>Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Depreciation expense	(29,946)
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(1,211)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(24,557)
Pension revenue	968
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences payable	<u>(2,560)</u>
Change in Net Position - Governmental Activities	<u><u>\$ (464,679)</u></u>

The notes to the financial statements are an integral part of this statement.

Riley Purgatory Bluff Creek Watershed District  
 Chanassen, Minnesota  
 Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual  
 509 Plan Implementation Fund  
 For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 3,703,000	\$ 3,703,000	3,703,883	\$ 883
Permit Income	25,000	25,000	71,640	46,640
Partner funds	-	-	550,498	550,498
Intergovernmental	-	-	76,051	76,051
Interest on investments	75,000	75,000	29,900	(45,100)
Miscellaneous	-	-	14,829	14,829
Total Revenues	<u>3,803,000</u>	<u>3,803,000</u>	<u>4,446,801</u>	<u>643,801</u>
Expenditures				
Current				
General government	1,196,000	1,196,000	1,158,632	37,368
Programs	2,057,000	2,057,000	796,558	1,260,442
Projects				
Bluff creek	370,000	370,000	152,967	217,033
Riley creek	2,415,000	2,415,000	2,456,890	(41,890)
Purgatory creek	538,000	538,000	273,101	264,899
Capital outlay				
Programs	-	-	16,026	(16,026)
Total Expenditures	<u>6,576,000</u>	<u>6,576,000</u>	<u>4,854,174</u>	<u>1,721,826</u>
Net Change in Fund Balances	(2,773,000)	(2,773,000)	(407,373)	2,365,627
Fund Balances, January 1	<u>6,333,598</u>	<u>6,333,598</u>	<u>6,333,598</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 3,560,598</u>	<u>\$ 3,560,598</u>	<u>\$ 5,926,225</u>	<u>\$ 2,365,627</u>

The notes to the financial statements are an integral part of this statement.



Riley Purgatory Bluff Creek Watershed District  
Chanhassen, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 1: Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Riley Purgatory Bluff Creek Watershed District (the District), Chanhassen, Minnesota was originally created in 1969 by the Minnesota Water Resources Board acting under the authority of the Watershed Law. The District is operated by a five-member Board of Managers originally appointed by the Board.

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

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

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

Separate financial statements are provided for the major governmental fund. The major individual governmental fund is reported as separate a column in the fund financial statements.

Riley Purgatory Bluff Creek Watershed District  
Chanhausen, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

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

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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

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

The District reports the following major governmental funds:

The *509 Plan Implementation Fund* - Notwithstanding chapter 103D, a local government unit or watershed management organization may levy a tax to pay the increased costs of preparing a plan under sections 103B.231 and 103B.235 or for projects identified in an approved and adopted plan necessary to implement the purposes of section 103B.20 1. The proceeds of any tax levied under this section shall be deposited in a separate fund and expended only for the purposes authorized by this section. Watershed management organizations and local government units may accumulate the proceeds of levies as an alternative to issuing bonds to finance improvements.

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

Riley Purgatory Bluff Creek Watershed District  
Chanhausen, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows of Resources, liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance**

***Deposits and Investments***

The District's cash and temporary investments are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The broker money market accounts operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares. The District does not have a formal investment policy.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements are listed in detail on page 41 and are valued using quoted market prices.

Riley Purgatory Bluff Creek Watershed District  
Chanhassen, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

The District has the following recurring fair value measurements as of December 31, 2020:

- Negotiable Certificates of Deposits of \$996,214 are valued using quoted market prices (Level 2 inputs)

***Property Taxes***

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

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the fund financial statements.

***Accounts Receivable***

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

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and are recorded as prepaid items. The District uses the consumption method to account for all prepaid items.

***Capital Assets***

Capital assets, which include land, land improvements and easements are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District 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.

GASB Statement No. 34 required the District to report and depreciate new infrastructure assets effective with the beginning of the 2004 calendar year. Infrastructure assets include lake improvements, dams and drainage systems. Neither their historical cost nor related depreciation had historically been reported in the financial statements. For governmental entities with total annual revenues of less than \$10 million for the fiscal year ended December 31, 1999 the retroactive reporting of infrastructure is not required under the provisions of GASB Statement No. 34. The District implemented the general provisions of GASB Statement No. 34 in the 2004 calendar year and has elected not to report infrastructure assets acquired in years prior to 2004.

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

Riley Purgatory Bluff Creek Watershed District  
 Chanhassen, Minnesota  
 Notes to the Financial Statements  
 December 31, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

Assets	Useful Lives in Years
Building	30
Equipment, Boats and Vehicles	7 - 10
Intangibles	10

***Deferred Outflows of Resources***

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

***Pensions***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30<sup>th</sup>. 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. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for all plans recognized by the District for the year ended December 31, 2020, \$58,158

***Compensated Absences***

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits, which is paid to the employee upon separation. All vacation pay is 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. The 509 Plan Implementation fund is typically used to liquidate governmental compensated absences payable.

***Long-term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

Riley Purgatory Bluff Creek Watershed District  
Chanhassen, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and fund financial statements will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one 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 funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The District has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

***Fund Balance***

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

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

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

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

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The district strives to maintain an unassigned fund balance of an amount not less than 50 percent of next year's budgeted expenditures for working capital.

***Net Position***

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

- a. Investment in capital assets - Consists of capital assets, net of accumulated depreciation
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "investment in capital assets".

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

Riley Purgatory Bluff Creek Watershed District  
Chanhasen, Minnesota  
Notes to the Financial Statements  
December 31, 2020

## Note 2: Stewardship, Compliance and Accountability

### Budgetary Information

The Board of Managers adopts an annual budget for the 509 Plan Implementation fund of the District 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 does not use encumbrance accounting.

The District monitors budget performance on the fund basis. All amounts over budget have been approved by the Board through the disbursement process. The budget was not amended in 2020.

## Note 3: Detailed Notes on Accounts

### A. Deposits and Investments

#### *Deposits*

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

*Minnesota statutes* require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

At the end of the year, the District's carrying amount of deposits was \$2,538,231 and the bank balance was \$2,551,082 (which includes the \$2,538,231 in deposits). Of the bank balance, \$500,000 was covered by Federal depository insurance. The remaining balance was covered by collateral held by the pledging financial institution's trust department in the District's name.

Riley Purgatory Bluff Creek Watershed District  
 Chanhassen, Minnesota  
 Notes to the Financial Statements  
 December 31, 2020

**Note 3: Detailed Notes on Accounts (Continued)**

**Investments**

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

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. The District follows State Statutes in regards to credit risk of investments. The District policy does not further limit investment choices. All of the District's investments were covered by FDIC insurance, see Custodial Credit Risk below.
- *Custodial Credit Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments in securities that are held by the District's broker-dealer include \$500,000 that is insured through the securities investor protection corporation (SIPC). The broker-dealer has provided additional protection by providing additional insurance in the amount of \$5,212,885. This insurance is subject to aggregate limits to all of the broker-dealer's accounts.
- *Concentration of Credit Risk*. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount that may be invested in any one issuer. Most of the investments held by the District are over the 5% credit concentration threshold. The District does not have a policy limiting concentration in one issuer.
- *Interest Rate Risk*. This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have an investment policy to address interest rate risk.

At year end, the District's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Brokered Money Market	N/A	less than 6 months	\$ 3,037,724	\$ -	\$ -	\$ -
Non-pooled Investments at Fair Value						
Negotiable certificates of deposits	N/A	less than 1 year	747,214	-	747,214	-
Negotiable certificates of deposits	N/A	1 - 5 years	249,000	-	249,000	-
Total			<u>\$ 4,033,938</u>	<u>\$ -</u>	<u>\$ 996,214</u>	<u>\$ -</u>

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

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

N/A Indicates not applicable or available.



Riley Purgatory Bluff Creek Watershed District  
 Chanhassen, Minnesota  
 Notes to the Financial Statements  
 December 31, 2020

**Note 3: Detailed Notes on Accounts (Continued)**

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Primary Government	
Carrying Amount of Deposits	\$ 2,538,231
Investments	<u>4,033,938</u>
Total Cash and Temporary Investments	<u><u>\$ 6,572,169</u></u>

**B. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated				
Land	<u>\$ 627,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 627,043</u>
Capital Assets, being Depreciated				
Equipment, boats, vehicles	210,853	-	-	210,853
Intangibles	<u>34,571</u>	<u>-</u>	<u>-</u>	<u>34,571</u>
Total Capital Assets, being Depreciated	<u>245,424</u>	<u>-</u>	<u>-</u>	<u>245,424</u>
Less Accumulated Depreciation for				
Equipment, boats and vehicles	(91,846)	(26,489)		(118,335)
Intangibles	<u>(12,100)</u>	<u>(3,457)</u>	<u>-</u>	<u>(15,557)</u>
Total Accumulated Depreciation	<u>(103,946)</u>	<u>(29,946)</u>	<u>-</u>	<u>(133,892)</u>
Total Capital Assets being Depreciated, Net	<u>141,478</u>	<u>(29,946)</u>	<u>-</u>	<u>111,532</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 768,521</u></u>	<u><u>\$ (29,946)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 738,575</u></u>

Depreciation expense charged to the project costs function for 2020 was \$29,946.

Riley Purgatory Bluff Creek Watershed District  
 Chanhassen, Minnesota  
 Notes to the Financial Statements  
 December 31, 2020

**Note 3: Detailed Notes on Accounts (Continued)**

**C. Long-term Debt**

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>Governmental Activities</b>					
Compensated Absences Payable	\$ 48,416	\$ 36,878	\$ (34,318)	\$ 50,976	\$ 31,068

**D. Operating Lease Obligation**

The district entered into an operating lease agreement for building space on January 10, 2017 with CSM Investors Inc. The agreement term is 122 calendar months beginning on March 1, 2017. The lease has base monthly payments that increase from year to year. The district will have the option to extend the lease and additional 5 years when the current lease expires in April of 2027. The total rent expense for the year ended December 31, 2020 was \$90,817.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Payment</u>
2021	\$ 92,128
2022	93,339
2023	94,603
2024	95,878
2025	97,206
2026 - 2027	<u>131,689</u>
Total	<u>\$ 604,843</u>

**Note 4: Defined Benefit Pension Plans - Statewide**

**A. Plan Description**

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

General Employees Retirement Plan

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

Riley Purgatory Bluff Creek Watershed District  
Chanhassen, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**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.

General Employee Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for 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 will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. 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.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the years ending December 31, 2020, 2019 and 2018 were \$33,599, \$31,326, and \$23,840, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2020, the District reported a liability of \$359,727 or its proportionate share of the General Employees Fund'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 \$11,120. 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 proportionate share 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 proportion was 0.0060 percent which was an increase of 0.0005 its proportion measured as of June 30, 2019.

Riley Purgatory Bluff Creek Watershed District  
Chanhasen, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

District's Proportionate Share of the Net Pension Liability	\$ 359,727
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the District	<u>11,120</u>
Total	<u><u>\$ 370,847</u></u>

For the year ended December 31, 2020, the District recognized pension expense of \$57,190, or its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$968 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 3,381	\$ 4,764
Changes in Actuarial Assumptions	1,413	13,847
Net Difference between Projected and Actual Earnings on Plan Investments	20,650	-
Changes in Proportion	69,088	-
Contributions Paid to PERA Subsequent to the Measurement Date	<u>17,874</u>	<u>-</u>
Total	<u><u>\$ 112,406</u></u>	<u><u>\$ 18,611</u></u>

The \$17,874 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ 30,241
2022	22,440
2023	14,550
2024	8,690

**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	2.75% per year
Active Member Payroll Growth	3.50% 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 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 percent per year for General Employees Plan.

Riley Purgatory Bluff Creek Watershed District  
Chanhausen, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

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 in the General Employees Plan 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:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Riley Purgatory Bluff Creek Watershed District  
 Chanhassen, Minnesota  
 Notes to the Financial Statements  
 December 31, 2020

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

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 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	20.0	0.75
International Stocks	17.5	5.30
Cash	2.0	-
Total	<u>100.00 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund 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 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	\$ 576,518	\$ 359,727	\$ 180,892

**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 on the Internet at [www.mnpera.org](http://www.mnpera.org).

Riley Purgatory Bluff Creek Watershed District  
Chanhausen, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 5: Other Information**

**Risk Management**

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

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

**Note 6: COVID-19**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the District cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the District's financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION  
RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT  
CHANHASSEN, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

Riley Purgatory Bluff Creek Watershed District  
 Chanhassen, Minnesota  
 Required Supplementary Information  
 December 31, 2020

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund**

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.0060 %	\$ 359,727	\$ 11,120	\$ 370,847	\$ 426,004	84.4 %	79.0 %
06/30/19	0.0055	304,083	9,500	313,583	360,608	87.0	80.2
06/30/18	0.0047	260,737	8,633	269,370	316,977	85.0	79.5
06/30/17	0.0034	217,054	2,731	219,785	220,465	99.7	75.9
06/30/16	0.0028	227,346	2,931	230,277	172,425	133.6	68.9
06/30/15	0.0021	98,647	-	98,647	84,947	116.1	78.2

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available*

**Schedule of Employer's PERA Contributions - General Employees Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/20	\$ 33,599	\$ 33,599	\$ -	\$ 447,990	7.5 %
12/31/19	31,326	31,326	-	417,681	7.5
12/31/18	23,840	23,840	-	317,869	7.5
12/31/17	21,160	21,160	-	282,139	7.5
12/31/16	13,813	13,813	-	184,176	7.5
12/31/15	12,742	12,742	-	169,893	7.5

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available*

Riley Purgatory Bluff Creek Watershed District  
Chanhassen, Minnesota  
Required Supplementary Information (Continued)  
December 31, 2020

**Notes to the Required Supplementary Information - General Employees Fund**

Changes in Actuarial Assumptions

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Riley Purgatory Bluff Creek Watershed District  
Chanhausen, Minnesota  
Required Supplementary Information (Continued)  
December 31, 2020

**Notes to the Required Supplementary Information - General Employees Fund (Continued)**

Changes in Plan Provisions

2020 - 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 - 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 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 - No changes noted

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

OTHER REQUIRED REPORT  
RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT  
CHANHASSEN, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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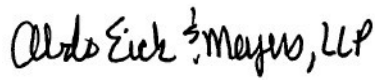
INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

Board of Managers  
Riley Purgatory Bluff Creek Watershed District  
Chanhausen, 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 the Riley Purgatory Bluff Creek Watershed District (the District), Chanhausen, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements and have issued our report thereon dated May 26, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as items 2020-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the 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 those charged with governance and management of the District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

  
ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
May 26, 2021

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Riley Purgatory Bluff Creek Watershed District  
Chanhausen, Minnesota  
Schedule of Finding and Response  
December 31, 2020

<u>Finding</u>	<u>Description</u>
<b>2020-001</b>	<b>Time Period for Payment</b>
<i>Condition:</i>	Auditing for legal compliance requires a review of the District's payment of claims. Our audit indicated an instance of non-compliance that we believe is required to be remedied.
<i>Criteria:</i>	Minnesota statute section 471.425 requires that the District pay bills within 35 days from receipt. If the invoice is not paid within the 35 days, interest at 1.5 percent per month is to be added to amount due.
<i>Cause:</i>	We noted several instances where invoices that were paid after the 35-day period. This was due to invoices submitted and received after the internal cutoff date.
<i>Effect:</i>	The District is out of compliance with this statute.
<i>Recommendation:</i>	We recommend that the District develop policies and procedures related to the accounts payable cycle. These policies and procedures should include payment terms that are outlined within State statutes. We also recommend purchasing a date stamp to document when all invoices are received at the District. Implementing this recommendation will not result in any additional cost to the District.

*Management Response:*

The District's Board of Managers has adopted the auditor's recommendation that the District date stamp each invoice when it is received by the District in order to substantiate the beginning of the 35 day period. In addition, because the Board of Managers generally only meets once per month, the Board of Managers has adopted a policy that all contracts must include and all vendors must agree to allow the District not less than 60 day after receipt of an invoice to process and pay such invoice as allowed by Minnesota statute section 471.425. Notwithstanding the foregoing, the District intends to process and pay all invoices as expeditiously as possible. The District intends to review all invoices received in 2020 and pay all interest that is required by law to be paid.