

**RILEY PURGATORY BLUFF CREEK  
WATERSHED DISTRICT**

ANNUAL FINANCIAL REPORT

December 31, 2018

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**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
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## **INTRODUCTORY SECTION**

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**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**

ORGANIZATION

December 31, 2018



<u>Name</u>	<u>Position 2018</u>
District Officers:	
Appointed:	
Board of Managers:	
Dick Ward	President
Dorothy Pedersen	Vice-President
Jill Crafton	Treasurer
David Zeigler	Secretary
Larry Koch	Manager
District Administrator:	
Claire Bleser	
District Council:	
Smith Partners PLLP	
District Engineer:	
Barr Engineering	

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Managers of the  
Riley Purgatory Bluff Creek Watershed District  
Chanhassen, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Riley Purgatory Bluff Creek Watershed District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Riley Purgatory Bluff 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Riley Purgatory Bluff Creek Watershed District, as of December 31, 2018, 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 Riley Purgatory Bluff Creek Watershed District's 2017 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 March 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension information on pages 36 through 39 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 Riley Purgatory Bluff Creek Watershed District's basic financial statements. The introductory and other information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

May 1, 2019

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## **BASIC FINANCIAL STATEMENTS**

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**

STATEMENT OF NET POSITION

**Statement 1**

December 31, 2018

With Comparative Totals For December 31, 2017

	Primary Government	
	Governmental Activities	
	2018	2017
<b>Assets:</b>		
Cash and cash equivalents	\$5,870,296	\$5,013,661
Accounts receivable	337	-
Due from other governments	455,813	154,436
Accrued interest receivable	22,487	8,671
Property taxes receivable:		
Delinquent	29,411	20,556
Due from county	21,693	26,218
Security deposit	7,244	7,244
Prepaid expenses	27,361	17,509
Capital assets - net:		
Nondepreciable	78,034	78,034
Depreciable	138,811	169,603
Total assets	<u>6,651,487</u>	<u>5,495,932</u>
<b>Deferred outflows of resources:</b>		
Related to pensions	<u>120,039</u>	<u>90,554</u>
<b>Liabilities:</b>		
Accounts payable	189,569	269,851
Contracts payable	23,657	13,469
Due to other governments	30,324	32,650
Deposits payable	976,826	704,352
Accrued payroll	18,168	17,564
Unearned revenue	-	6,666
Compensated absences payable:		
Due within one year	18,946	11,895
Due in more than one year	21,555	20,346
Net pension liability:		
Due in more than one year	260,737	217,054
Total liabilities	<u>1,539,782</u>	<u>1,293,847</u>
<b>Deferred inflows of resources:</b>		
Related to pensions	<u>60,215</u>	<u>35,985</u>
<b>Net position:</b>		
Investment in capital assets	216,845	247,637
Unrestricted	4,954,684	4,009,017
Total net position	<u>\$5,171,529</u>	<u>\$4,256,654</u>

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

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**

STATEMENT OF ACTIVITIES

**Statement 2**

For The Year Ended December 31, 2018

With Comparative Totals For The Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government Totals		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	2018	2017
Primary government:						
Governmental activities:						
General government	\$1,036,721	\$57,002	\$2,013	\$ -	(\$977,706)	(\$967,763)
Programs	515,921	-	4,500	-	(511,421)	(856,944)
Projects	1,622,775	-	532,218	-	(1,090,557)	-
Total governmental activities	<u>\$3,175,417</u>	<u>\$57,002</u>	<u>\$538,731</u>	<u>\$0</u>	<u>(2,579,684)</u>	<u>(1,824,707)</u>
General revenues:						
Property taxes					3,417,668	2,841,853
Unrestricted investment earnings					46,180	15,240
Other income					30,711	29,450
Total general revenues					<u>3,494,559</u>	<u>2,886,543</u>
Change in net position					914,875	1,061,836
Net position - January 1					<u>4,256,654</u>	<u>3,194,818</u>
Net position - December 31					<u>\$5,171,529</u>	<u>\$4,256,654</u>

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

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**

BALANCE SHEET  
GOVERNMENTAL FUNDS

**Statement 3**

December 31, 2018

With Comparative Totals For December 31, 2017

Assets	509 Plan Implementation	
	2018	2017
Cash and cash equivalents	\$5,870,296	\$5,013,661
Accounts receivable	337	-
Due from other governments	455,813	154,436
Accrued interest receivable	22,487	8,671
Taxes receivable:		
Delinquent	29,411	20,556
Due from county	21,693	26,218
Security deposit	7,244	7,244
Prepaid expense	27,361	17,509
Total assets	<u>\$6,434,642</u>	<u>\$5,248,295</u>
Liabilities, deferred inflow of resources, and fund balance		
Liabilities:		
Accounts payable	\$189,569	\$269,851
Contracts payable	23,657	13,469
Due to other governments	30,324	32,650
Deposits payable	976,826	704,352
Accrued payroll	18,168	17,564
Unearned revenue	-	6,666
Total liabilities	<u>1,238,544</u>	<u>1,044,552</u>
Deferred inflow of resources:		
Unavailable revenues	<u>29,411</u>	<u>20,556</u>
Fund balance:		
Nonspendable	34,605	24,753
Committed	5,052,901	4,115,581
Assigned	79,181	42,853
Total fund balance	<u>5,166,687</u>	<u>4,183,187</u>
Total liabilities, deferred inflow of resources, and fund balance	<u>\$6,434,642</u>	<u>\$5,248,295</u>
Fund balance reported above	\$5,166,687	\$4,183,187
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.	216,845	247,637
Deferred outflow of resources-pension related are not current financial resources and, therefore, are not reported in the funds.	120,039	90,554
Deferred inflow of resources-pension related are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.	(60,215)	(35,985)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences payable	(40,501)	(32,241)
Net pension liability	(260,737)	(217,054)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	<u>29,411</u>	<u>20,556</u>
Net position of governmental activities	<u>\$5,171,529</u>	<u>\$4,256,654</u>

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

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For The Year Ended December 31, 2018  
With Comparative Totals For The Year Ended December 31, 2017

**Statement 4**

	509 Plan Implementation	
	2018	2017
Revenues:		
General property taxes	\$3,408,813	\$2,842,119
Permit income	57,002	47,400
Intergovernmental	536,778	257,695
Investment income	46,180	15,240
Other income	30,651	29,450
Total revenues	<u>4,079,424</u>	<u>3,191,904</u>
Expenditures:		
Current:		
General government	980,469	968,455
Programs	453,603	610,097
Projects:		
Bluff Creek	383,611	154,062
Riley Creek	763,435	192,048
Purgatory Creek	475,729	141,870
Capital outlay:		
General government	-	20,470
Programs	39,077	8,569
Total expenditures	<u>3,095,924</u>	<u>2,095,571</u>
Revenues over expenditures	<u>983,500</u>	<u>1,096,333</u>
Fund balance - January 1	<u>4,183,187</u>	<u>3,086,854</u>
Fund balance - December 31	<u><u>\$5,166,687</u></u>	<u><u>\$4,183,187</u></u>

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

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS

**Statement 5**

For The Year Ended December 31, 2018

With Comparative Totals For The Year Ended December 31, 2017

	<u>2018</u>	<u>2017</u>
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Net changes in fund balance - total governmental funds (Statement 4)	\$983,500	\$1,096,333
Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	39,077	29,039
Depreciation	(24,804)	(22,748)
In the Statement of Activities, the gain or loss on the disposal of capital assets is reported. However, in the governmental funds, only the proceeds of a sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the disposed capital assets.	(45,065)	-
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:		
Compensated absences	(8,260)	(12,491)
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 differs from pension contributions:		
Pension contributions	\$23,959	
Pension expense	(62,387)	(28,031)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Unavailable general property taxes revenue	8,855	(266)
Change in net position of governmental activities (Statement 2)	<u>\$914,875</u>	<u>\$1,061,836</u>

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

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Riley Purgatory Bluff Creek Watershed District (the District) conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant accounting policies.

**A. FINANCIAL REPORTING ENTITY**

The District was created under the provisions of Minnesota Statutes. The District is operated by a five member Board of Managers appointed by the Hennepin and Carver County Boards of Commissioners for three year terms.

The District's policy is to include in the financial statements all funds, account groups, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

**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 support.

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 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 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:

509 Plan Implementation (special revenue 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.201. 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.

**D. BUDGETARY DATA**

The Board of Managers adopts an annual budget for the 509 Plan Implementation Special Revenue Fund. 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 Board of Managers annually adopts a tax levy for collection during the calendar year. The District's records are maintained on a calendar year ending December 31.

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

The District prepares a revenue and expenditure budget for the 509 Plan Implementation Special Revenue Fund. Encumbrance accounting, under which purchase orders, contracts, and other commitments of

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

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monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

**E. CASH AND INVESTMENTS**

Investments are stated at fair value, based upon quoted market prices. Investment income is accrued at the balance sheet date.

**F. PROPERTY TAX REVENUE RECOGNITION**

The Board of Managers annually adopts a tax levy and certifies it to the Counties on September 15 (levy/assessment date) of each year for collection in the following year. The Counties are responsible for billing and collecting all property taxes for itself, the District, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the Counties 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 Counties possess 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.

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 Counties by December 31 (remitted to the District the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the District in January is fully offset by deferred inflow of resources because they are not available to finance current expenditures.

**G. 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.

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

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**H. PREPAIDS**

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.

**I. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, intangibles, and infrastructure assets (e.g., storm sewers, manholes, control structures and similar items), are reported in the governmental activities columns in the government-wide financial statements. Capital assets (including intangible assets) are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 asset lives are not capitalized.

GASB Statement No. 34 required the District to report and depreciate new infrastructure assets effective in 2004. Infrastructure assets include lake improvements, dams and drainage systems. Neither their historical cost nor related depreciation has 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 has elected to implement the general provisions of GASB Statement No. 34 in the current year and has elected not to report infrastructure assets acquired in years prior to 2004. The District did not acquire any infrastructure assets from 2004 through 2018.

The District implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* effective January 1, 2010. GASB Statement No. 51 required the District to capitalize and amortize intangible assets. Intangible assets include easements and computer software. For governmental entities with total annual revenues of less than \$10 million for the fiscal year ended December 31, 1999, the retroactive reporting of intangible assets is not required under the provision of GASB Statement No. 51. The District has elected not to report intangible assets acquired in years prior to 2010.

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

Building	30 years
Equipment, boats and vehicles	7-10 years
Intangibles	10 years

**J. COMPENSATED ABSENCES**

It is the District's policy to permit employees to accumulate earned but unused vacation and personal leave benefits. All vacation pay and personal leave that is payable at termination 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. In accordance with the

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

**K. FUND EQUITY**

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 District's Board.

*Assigned* - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the District's Board and/or management.

*Unassigned* – consists of negative residual amounts in the fund.

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

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

**L. 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.

**M. COMPARATIVE TOTALS**

The basic financial statements and individual fund financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

**N. RECLASSIFICATIONS**

Certain reclassifications were made to prior year amounts to conform to current year presentation.

**O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has pension related deferred inflows of related deferred inflows of sources reported in the government-wide Statement of Net Position. The government also has an 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 property taxes.

**P. DEFINED BENEFIT PENSION PLANS**

*Pensions.* For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 2 DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

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

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

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

- a) United States government treasury bills, treasury notes and treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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- government with taxing powers which is rated “AA” or better by a national bond rating service;
- d) General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
  - e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation; and
  - f) Time deposits that are fully insured by any federal agency.

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State Statutes require that insurance, surety bonds or collateral protect all District deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds.

At December 31, 2018 the carrying amount of the District’s deposits were \$2,458,379 and the bank balance was \$2,459,652. The entire bank balance was covered by federal depository insurance or perfected collateral provided by the financial institution and held in the District’s name.

**B. INVESTMENTS**

Minnesota Statutes authorize the District to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligations of the State of Minnesota or any of its municipalities as follows:
  - 1) any security which is a general obligation of any state or local government with taxing powers which is rated “A” or better by a national bond rating service;
  - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service; and
  - 3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated “A” or better by a national bond rating agency.
- d) Bankers acceptances of United States banks.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements 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; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

As of December 31, 2018, the District had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities	
			Less Than 1 Year	1 - 5 Years
Brokered certificate of deposits	NR	\$3,390,184	\$1,952,925	\$1,437,259
Money market funds	NR	21,266	21,266	-
Total investments		3,411,450	\$1,974,191	\$1,437,259
Deposits		2,458,379		
Cash with broker-dealer		467		
Total cash and investments		\$5,870,296		

NR- Not Rated

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. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets; Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly; level 3 investments are valued using inputs that are unobservable.

The District has the following recurring fair value measurements as of December 31, 2018:

Investment Type	12/31/2018	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Brokered Certificates of Deposit	\$3,390,184	\$ -	\$3,390,184	\$ -
Investments not categorized:				
Money market fund	21,266			
Total	\$3,411,450			

**Custodial Credit Risk – Investments.** For investments in securities, custodial credit risk is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investment 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. This insurance is subject to aggregate limits to all of the broker-dealer’s accounts.

**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 does not have an investment policy which further limits its investment choices.

**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 does not have an investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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**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 does not have an investment policy which addresses the concentration of credit risk.

**Note 3 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>Major Fund</u>	<u>Property Taxes</u>
509 Plan Implementation Fund	\$29,411

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**Note 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$78,034	\$ -	\$ -	\$78,034
Capital assets, being depreciated:				
Building	50,856	-	50,856	-
Equipment, boats and vehicles	139,163	39,077	-	178,240
Intangibles	34,571	-	-	34,571
Total capital assets, being depreciated	<u>224,590</u>	<u>39,077</u>	<u>50,856</u>	<u>212,811</u>
Less accumulated depreciation for:				
Building	5,791	-	5,791	-
Equipment, boats and vehicles	44,010	21,347	-	65,357
Intangibles	5,186	3,457	-	8,643
Total accumulated depreciation	<u>54,987</u>	<u>24,804</u>	<u>5,791</u>	<u>74,000</u>
Total capital assets being depreciated - net	<u>169,603</u>	<u>14,273</u>	<u>45,065</u>	<u>138,811</u>
Governmental activities capital assets - net	<u><u>\$247,637</u></u>	<u><u>\$14,273</u></u>	<u><u>\$45,065</u></u>	<u><u>\$216,845</u></u>

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

Governmental activities:	
General government	\$7,551
Programs	17,253
	<u>\$24,804</u>

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**Note 5 COMMITMENTS AND CONTINGENCIES**

The District had \$107,021 of committed contracts at December 31, 2018.

The District’s management has indicated that there are no existing or pending lawsuits or other actions in which the District is a defendant.

**Note 6 LONG-TERM DEBT**

Changes in general long-term liabilities for the year ended December 31, 2018 is as follows:

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/18</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Compensated payable	<u>\$32,241</u>	<u>\$33,083</u>	<u>(\$24,823)</u>	<u>\$40,501</u>	<u>\$18,946</u>

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

**Note 7 FUND BALANCE**

At December 31, 2018, the District had the following fund balance:

	<u>509 Plan</u> <u>Implementation</u>
Nonspendable	<u>\$34,605</u>
Committed to:	
509 plan implementation	<u>5,052,901</u>
Assigned to:	
509 plan implementation	<u>79,181</u>
Total	<u>\$5,166,687</u>

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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**Note 8 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; and natural disasters. Property and casualty liabilities are insured. The District retains risk for the deductible portions of the insurance. The amounts of these 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.

**Note 9 DEFINED BENEFIT PENSION PLANS**

**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 Fund**

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.

**GERF Benefits**

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 Plan members is 1.2 percent for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% for all years of service. The accrual rates for former Minneapolis Employees Retirement Fund (MERF) members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

**C. CONTRIBUTIONS**

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

GERF Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2018; the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the GERF for the year ended December 31, 2018, were \$23,959. The District's contributions were equal to the required contributions as set by state statute.

**D. PENSION COSTS**

GERF Pension Costs

At December 31, 2018, the District reported a liability of \$260,737 for its proportionate share of the 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 to the fund in 2018. 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 \$8,633. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the District's proportion was .0047% which was an increase of .0013% from its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For the year ended December 31, 2018, the District recognized pension expense of \$62,387 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$2,013 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.

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

At December 31, 2018, the District reported its proportionate share of the GERS'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	\$6,902	\$8,657
Changes in actuarial assumptions	28,353	29,298
Difference between projected and actual investment earnings	-	22,260
Changes in proportion	72,839	-
Contributions paid to PERA subsequent to the measurement date	11,945	-
Total	<u>\$120,039</u>	<u>\$60,215</u>

\$11,945 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2019	\$37,081
2020	11,729
2021	4,511
2022	(5,442)
2023	-
Thereafter	-

**E. ACTUARIAL ASSUMPTIONS**

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Growth	3.25% per year after 26 years of service
Investment Rate of Return	7.50%

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the General Employees Plan. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015.

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
Total	100%	

**F. DISCOUNT RATE**

The discount rate used to measure the total pension liability in 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and employers will be made at rates set in Minnesota Statutes. Based on that assumption, the plan's fiduciary net position 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 <u>Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	1% Increase in <u>Discount Rate (8.5%)</u>
District's proportionate share of the GERF net pension liability	\$423,731	\$260,737	\$126,190

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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**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).

**Note 10 OPERATING LEASE**

On January 10, 2017, the District entered into an operating lease agreement for building space. The agreement has an initial term of 122 calendar months beginning March 1, 2017. The lease has required base monthly payments that vary from year to year. Total rent expense for this lease for the year ended December 31, 2018 was \$58,185.

Future minimum lease payments are as follows:

	<u>Payment</u>
2019	\$59,333
2020	60,533
2021	61,744
2022	62,955
2023	64,219
2024-2027	223,489
Total	<u><u>\$532,273</u></u>

The District will have the option to extend the lease an additional 5 years when the current lease expires on April 30, 2027.

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

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**Note 11 RECENTLY ISSUED ACCOUNTING STANDARDS**

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

**Statement No. 83** *Certain Asset Retirement Obligations*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

**Statement No. 84** *Fiduciary Activities*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

**Statement No. 87** *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

**Statement No. 88** *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

**Statement No. 89** *Accounting for Interest Cost Incurred before the End of a Construction Period*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

**Statement No. 90** *Majority Equity Interests*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

The effect these standards may have on future financial statements is not determinable at this time.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - 509 PLAN IMPLEMENTATION**  
For The Year Ended December 31, 2018  
With Comparative Actual Amounts For The Year Ended December 31, 2017

**Statement 6**

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget -	2017 Actual Amounts
	Original	Final		Positive	
				(Negative)	
<b>Revenues:</b>					
General property taxes	\$3,420,000	\$3,420,000	\$3,408,813	(\$11,187)	\$2,842,119
Permit income	20,000	20,000	57,002	37,002	47,400
Intergovernmental	818,175	818,175	536,778	(281,397)	257,695
Investment income	-	-	46,180	46,180	15,240
Other income	-	-	30,651	30,651	29,450
Total revenues	<u>4,258,175</u>	<u>4,258,175</u>	<u>4,079,424</u>	<u>(178,751)</u>	<u>3,191,904</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	900,000	900,000	980,469	(80,469)	968,455
Programs	1,325,131	1,333,759	453,603	880,156	610,097
<b>Projects:</b>					
Bluff Creek	519,219	569,219	383,611	185,608	154,062
Riley Creek	1,960,882	2,060,882	763,435	1,297,447	192,048
Purgatory Creek	1,220,283	1,120,283	475,729	644,554	141,870
<b>Capital outlay:</b>					
General government	-	-	-	-	20,470
Programs	-	-	39,077	(39,077)	8,569
Total expenditures	<u>5,925,515</u>	<u>5,984,143</u>	<u>3,095,924</u>	<u>2,888,219</u>	<u>2,095,571</u>
Revenues over (under) expenditures	<u>(\$1,667,340)</u>	<u>(\$1,725,968)</u>	983,500	<u>\$2,709,468</u>	1,096,333
Fund balance - January 1			<u>4,183,187</u>		<u>3,086,854</u>
Fund balance - December 31			<u>\$5,166,687</u>		<u>\$4,183,187</u>

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY\* -  
 GENERAL EMPLOYEES RETIREMENT FUND  
 For The Year Ended December 31, 2018

**Statement 7**

Measurement Date June 30	Fiscal Year Ending December 31	District's Proportionate Share (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)	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	0.0028%	\$145,111	\$ -	\$145,111	\$177,271	81.9%	78.2%
2016	2016	0.0028%	227,346	2,931	230,277	174,027	132.3%	68.9%
2017	2017	0.0034%	217,054	2,731	219,785	220,453	99.7%	75.9%
2018	2018	0.0047%	260,737	8,633	269,370	331,266	81.3%	79.5%

\* 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.

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS\* - GENERAL EMPLOYEES RETIREMENT FUND**  
For The Year Ended December 31, 2018

**Statement 8**

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Fiscal Year Ending	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)
December 31, 2015	\$12,742	\$12,742	\$0	\$170,252	7.5%
December 31, 2016	13,813	13,813	0	184,173	7.5%
December 31, 2017	21,160	21,160	0	282,133	7.5%
December 31, 2018	23,959	23,959	0	319,453	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.

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO RSI**  
**December 31, 2018**

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**Note A BUDGETS**

The 509 Plan Implementation 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.

**Note B PENSION INFORMATION**

**PERA – General Employees Retirement Fund**

*2018 Changes*

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*

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.
  
- 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*

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.

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**OTHER INFORMATION - UNAUDITED**

**RILEY PURGATORY BLUFF CREEK WATERSHED DISTRICT**  
**MARKET VALUES BY WATERSHED - UNAUDITED**

**Exhibit 1**

	For Taxes Payable in 2018	Proposed For Taxes Payable in 2019
Estimate market value:		
Personal	\$70,328,100	\$104,548,600
Real	10,689,229,300	11,384,283,800
Total	<u>\$10,759,557,400</u>	<u>\$11,488,832,400</u>
Taxable market value:		
Personal	\$70,328,100	\$104,548,600
Real	10,468,308,533	11,184,435,647
Total	<u>\$10,538,636,633</u>	<u>\$11,288,984,247</u>
Referendum market value:		
Personal	\$70,328,100	\$104,548,600
Real	10,629,015,175	11,320,565,025
Total	<u>\$10,699,343,275</u>	<u>\$11,425,113,625</u>

Source: Hennepin County Taxpayer Services - Property Tax - Tax Accounting  
 Carver County information is not available.

## **OTHER REPORTS**

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## REPORT ON INTERNAL CONTROL

To the Honorable Managers of the  
Riley Purgatory Bluff Creek Watershed District and Management  
Chanhassen, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Riley Purgatory Bluff Creek Watershed District as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Riley Purgatory Bluff 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 Riley Purgatory Bluff Creek Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Riley Purgatory Bluff 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 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, Riley Purgatory Bluff Creek Watershed District's Board and others within the organization, 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

May 1, 2019

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## MINNESOTA LEGAL COMPLIANCE REPORT

To the Honorable Managers of the  
Riley Purgatory Bluff Creek Watershed District  
Chanhassen, 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 Riley Purgatory Bluff Creek Watershed District as of and for the year ended December 31, 2018, and the related notes to the financial statements which collectively comprise the Riley Purgatory Bluff Creek Watershed District's basic financial statements, and have issued our report thereon dated May 1, 2019.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because it is not applicable to Riley Purgatory Bluff Creek Watershed District.

In connection with our audit, nothing came to our attention that caused us to believe that Riley Purgatory Bluff Creek Watershed District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, except as described in the Schedule of Findings and Responses as item 2018-001. 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 Riley Purgatory Bluff Creek Watershed District's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of Riley Purgatory Bluff 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

May 1, 2019

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## **Finding 2018-001 Board Meetings**

*Criteria:* Minnesota Statute 13D.04 requires public notice of meetings. Minnesota Statute 13D.04 reads in part as follows:

13D.04, Subdivision 1. **Regular meetings.** A schedule of the regular meetings of a public body shall be kept on file at its primary offices. If a public body decides to hold a regular meeting at a time or place different from the time or place stated in its schedule of regular meetings, it shall give the same notice of the meeting that is provided in this section for a special meeting.

13D.04, Subdivision. 2. **Special meetings.** (a) For a special meeting, except an emergency meeting or a special meeting for which a notice requirement is otherwise expressly established by statute, the public body shall post written notice of the date, time, place, and purpose of the meeting on the principal bulletin board of the public body, or if the public body has no principal bulletin board, on the door of its usual meeting room.

(b) The notice shall also be mailed or otherwise delivered to each person who has filed a written request for notice of special meetings with the public body. This notice shall be posted and mailed or delivered at least three days before the date of the meeting.

(c) As an alternative to mailing or otherwise delivering notice to persons who have filed a written request for notice of special meetings, the public body may publish the notice once, at least three days before the meeting, in the official newspaper of the public body or, if there is none, in a qualified newspaper of general circulation within the area of the public body's authority.

(d) A person filing a request for notice of special meetings may limit the request to notification of meetings concerning particular subjects, in which case the public body is required to send notice to that person only concerning special meetings involving those subjects.

(e) A public body may establish an expiration date for requests for notices of special meetings pursuant to this subdivision and require refiling of the request once each year.

(f) Not more than 60 days before the expiration date of a request for notice, the public body shall send notice of the refiling requirement to each person who filed during the preceding year.

*Condition:* During the course of our audit, it came to our attention, that on August 6, 2018 the District personnel committee met at the District office, without public notice being given.

*Cause:* Unknown.

*Effect:* The District was not in compliance with State Statutes.

*Recommendation:* We recommend the District Managers review and adhere to the statutes relating to public notice of meetings and consult with the District's attorney, as necessary.

*Views of Responsible Officials and Corrective Action Plan:* The District's legal counsel reviewed Open Meeting Law requirements with the Board of Managers on September 5, 2018, including the requirement that committee meetings must be noticed. The Board of Managers and the Administrator are committed to compliance with the Open Meeting Law, including the noticing of committee meetings. Open Meeting Law compliance is a regular topic of new manager orientation. Manager Ziegler and Manager Koch were not managers on August 6, 2018.

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