

**NINE MILE CREEK  
WATERSHED DISTRICT**

**ANNUAL FINANCIAL REPORT**

December 31, 2020

**- This page intentionally left blank -**

**NINE MILE CREEK WATERSHED DISTRICT**  
**TABLE OF CONTENTS**

---

	<u>Page Number</u>
<b>INTRODUCTORY SECTION</b>	
Organization	3
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	Statement 1     12
Statement of Activities	Statement 2     13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	Statement 3     14
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	Statement 4     15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds	Statement 5     16
Notes to Financial Statements	17
Required Supplementary Information:	
Budgetary Comparison Schedule - 509 Plan Implementation	Statement 6     34
Schedule of Proportionate Share of Net Pension Liability - General Employees Retirement Fund	Statement 7     35
Schedule of Pension Contributions - General Employees Retirement Fund	Statement 8     36
Notes to RSI	37
<b>OTHER INFORMATION - UNAUDITED</b>	
Market Values by Watershed	Exhibit 1     40
<b>OTHER REQUIRED REPORTS</b>	
Report on Internal Control	45
Minnesota Legal Compliance Report	47

**- This page intentionally left blank -**

## INTRODUCTORY SECTION

**- This page intentionally left blank -**

**NINE MILE CREEK WATERSHED DISTRICT**

ORGANIZATION

December 31, 2020

---

	<u>Term Expires</u>
<b>Board of Managers:</b>	
Bob Cutshall, President	September 30, 2021
Grace Butler, Vice President	September 30, 2022
Erin Hunker, Secretary	September 30, 2023
Larry Olson, Treasurer	September 30, 2022
Peggy Kvam, Manager	September 30, 2023

**District Administrator:**

Randy Anhorn

**- This page intentionally left blank -**



## **FINANCIAL SECTION**

**- This page intentionally left blank -**



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Managers of the  
Nine Mile Creek Watershed District  
Eden Prairie, Minnesota

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Nine Mile Creek Watershed 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

## **Report on Summarized Comparative Information**

We have previously audited Nine Mile Creek Watershed District's 2019 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated March 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

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 Schedule, the Schedule of Proportionate Share of Net Pension Liability and the Schedule of Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance

with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nine Mile 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

February 19, 2021

**- This page intentionally left blank -**

## **BASIC FINANCIAL STATEMENTS**

**NINE MILE CREEK WATERSHED DISTRICT**

STATEMENT OF NET POSITION

**Statement 1**

December 31, 2020

With Comparative Totals For December 31, 2019

	Primary Government	
	Governmental Activities	
	2020	2019
Assets:		
Cash and investments	\$10,432,976	\$9,673,598
Prepaid expenses	18,878	9,943
Accrued interest	256	11,756
Due from other governments	37,831	8,339
Property taxes receivable:		
Delinquent	99,120	166,479
Due from county	20,038	8,460
Capital assets - net:		
Depreciable	2,076,922	1,915,274
Nondepreciable	502,893	522,186
Total assets	<u>13,188,914</u>	<u>12,316,035</u>
Deferred outflows of resources:		
Related to pensions	<u>65,091</u>	<u>53,477</u>
Liabilities:		
Accounts payable	201,057	79,845
Due to other governments	57,302	3,482
Contracts payable	15,027	34,741
Deposits payable	1,295,450	776,730
Salaries payable	3,902	5,598
Compensated absences payable:		
Due within one year	22,515	20,720
Due in more than one year	28,856	24,289
Net pension liability:		
Due in more than one year	257,805	210,093
Total liabilities	<u>1,881,914</u>	<u>1,155,498</u>
Deferred inflows of resources:		
Related to pensions	<u>10,697</u>	<u>49,366</u>
Net position:		
Net investments in capital assets	2,579,815	2,437,460
Unrestricted	8,781,579	8,727,188
Total net position	<u><u>\$11,361,394</u></u>	<u><u>\$11,164,648</u></u>

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



**NINE MILE CREEK WATERSHED DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 2020  
With Comparative Totals For The Year Ended December 31, 2019

**Statement 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2020	2019
Primary government:						
Governmental activities:						
General government	\$869,704	\$68,249	\$687	\$ -	(\$800,768)	(\$746,914)
Programs	1,104,847	-	20,000	-	(1,084,847)	(950,514)
Projects	682,365	-	77,830	-	(604,535)	(442,966)
Total governmental activities	<u>\$2,656,916</u>	<u>\$68,249</u>	<u>\$98,517</u>	<u>\$0</u>	<u>(2,490,150)</u>	<u>(2,140,394)</u>
General revenues:						
Property taxes					2,627,041	2,688,350
Miscellaneous					3,400	12,978
Unrestricted investment earnings					56,455	180,908
Total general revenues					<u>2,686,896</u>	<u>2,882,236</u>
Change in net position					196,746	741,842
Net position - January 1					<u>11,164,648</u>	<u>10,422,806</u>
Net position - December 31					<u>\$11,361,394</u>	<u>\$11,164,648</u>

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

**NINE MILE CREEK WATERSHED DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2020  
With Comparative Totals For December 31, 2019

**Statement 3**

	509 Plan Implementation	
	2020	2019
<b>Assets:</b>		
Cash and investments	\$10,432,976	\$9,673,598
Prepaid expenses	18,878	9,943
Accrued interest	256	11,756
Due from other governments	37,831	8,339
Taxes receivable:		
Delinquent	99,120	166,479
Due from county	20,038	8,460
Total assets	<u>\$10,609,099</u>	<u>\$9,878,575</u>
<b>Liabilities:</b>		
Accounts payable	\$201,057	\$79,845
Due to other governments	57,302	3,482
Contracts payable	15,027	34,741
Deposits payable	1,295,450	776,730
Salaries payable	3,902	5,598
Total liabilities	<u>1,572,738</u>	<u>900,396</u>
<b>Deferred inflows of resources:</b>		
Unavailable revenue	<u>99,120</u>	<u>166,479</u>
<b>Fund balance:</b>		
Nonspendable	18,878	9,943
Committed	7,447,856	7,455,743
Assigned	1,470,507	1,346,014
Total fund balance	<u>8,937,241</u>	<u>8,811,700</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$10,609,099</u>	<u>\$9,878,575</u>
Fund balance reported above	\$8,937,241	\$8,811,700
Amounts reported for governmental activities in the statement of net position are different because:		
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Compensated absences payable	(51,371)	(45,009)
Net pension liability	(257,805)	(210,093)
Deferred outflows of resources related to pensions are not current financial resources, and therefore, are not reported in the funds	65,091	53,477
Deferred inflows of resources related to pensions are associated with long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds	(10,697)	(49,366)
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds	2,579,815	2,437,460
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds	<u>99,120</u>	<u>166,479</u>
Net position of governmental activities	<u>\$11,361,394</u>	<u>\$11,164,648</u>

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

**NINE MILE CREEK WATERSHED DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**

**Statement 4**

For The Year Ended December 31, 2020

With Comparative Totals For The Year Ended December 31, 2019

	509 Plan Implementation	
	2020	2019
Revenues:		
General property taxes	\$2,694,400	\$2,683,144
Intergovernmental revenue	92,506	13,479
Investment income	56,455	180,908
Permit fees	43,990	56,578
Stormwater facilities	24,259	13,360
Reimbursements and miscellaneous	8,724	12,978
Total revenues	<u>2,920,334</u>	<u>2,960,447</u>
Expenditures:		
Current:		
General government	759,283	700,334
Programs	1,097,265	934,086
Projects	682,365	456,445
Capital Outlay:		
General government	255,880	49,930
Total expenditures	<u>2,794,793</u>	<u>2,140,795</u>
Revenues over (under) expenditures	125,541	819,652
Fund balance - January 1	<u>8,811,700</u>	<u>7,992,048</u>
Fund balance - December 31	<u><u>\$8,937,241</u></u>	<u><u>\$8,811,700</u></u>

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

**NINE MILE CREEK WATERSHED DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE OF**  
**GOVERNMENTAL FUNDS**  
For The Year Ended December 31, 2020  
With Comparative Totals For The Year Ended December 31, 2019

**Statement 5**

	<u>2020</u>	<u>2019</u>
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Net changes in fund balance - total governmental funds (Statement 4)	\$125,541	\$819,652
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(67,359)	5,206
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	255,880	49,930
Depreciation	(113,525)	(110,992)
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:		
Change in compensated absences payable	(6,362)	(3,117)
Governmental funds report pension contributions as expenditures, however pension expense is reported in the statement of activities. This is the amount by which pension expense differed from pension contributions:		
Pension contributions	23,539	
Pension expense	(20,968)	(18,837)
	<u>2,571</u>	<u>(18,837)</u>
Change in net position of governmental activities (Statement 2)	<u>\$196,746</u>	<u>\$741,842</u>

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

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

---

**Note 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Nine Mile 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 provisions of Minnesota Statutes. The District is operated by a five member board of managers appointed by the Hennepin County Board of Commissioners for three year terms.

The District's policy is to include in the financial statements all funds, 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. 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 so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

509 Plan Implementation (special revenue fund) – is established to account for the funds levied to pay for the costs of preparing a watershed management plan or for projects and programs identified in an approved and adopted plan necessary to implement the purposes of the Metropolitan Surface Water Management Act. Property taxes are committed for 509 Plan Implementation programs.

**D. BUDGETARY DATA**

The Board of Managers adopts an annual budget for the 509 Plan Implementation 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 revenue budget consists of the calendar year's tax levy.

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

The District prepares revenue and expenditure budgets for the 509 Plan Implementation Fund. Encumbrance accounting, under which purchase orders, contracts, and other commitments of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

---

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The District recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the District in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the District the following January) are classified as due from county. Taxes not collected by the county by December 31 are classified as delinquent taxes receivable. The portion of delinquent taxes not collected by the District in January is fully offset by deferred 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 significant amounts of inventories of materials and supplies.

**H. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, intangibles and infrastructure assets (e.g., stormwater, manholes, control structures, and similar items) are reported in the 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.

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

Building	30 Years
Land improvements	15 - 30 Years
Furniture and equipment	3 - 7 Years
Intangibles	5 Years

**I. FUND BALANCE CLASSIFICATIONS**

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

*Nonspendable* - consists of amounts that are not in spendable form, such as prepaid items.

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

*Committed* - consists of internally imposed constraints. These constraints are established by Resolution of the District’s Board.

*Assigned* - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District’s intended use. The District’s Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the District Administrator.

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

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

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

**J. USE OF ESTIMATES**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (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.



**K. 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.

**L. COMPENSATED ABSENCES**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay benefits that are vested as severance pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

**M. LONG-TERM OBLIGATIONS**

In the government-wide financial statements long-term debt is reported as a liability in the applicable governmental activities fund type statement of net position.

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

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until 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 net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has pension related deferred inflows of resources 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.

**O. COMPARATIVE TOTALS**

Certain basic 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

**P. DEFINED BENEFIT PENSION PLANS**

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

**Note 2 DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At December 31, 2020, the carrying amount of the District's deposits with financial institutions was \$717,065 and the bank balance was \$573,719. The entire bank balance was covered by federal depository insurance or perfected collateral held by the District's agent in the District's name.

**B. INVESTMENTS**

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

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

As of December 31, 2020, the District had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment
			Maturities: Less Than 1 Year
Brokered certificate of deposits	NR	\$1,743,062	\$1,743,062
Treasury bills	NR	6,685,997	6,685,997
Money market mutual fund	AAAm	1,286,852	1,286,852
Total investments		<u>\$9,715,911</u>	9,715,911
Deposits			<u>717,065</u>
Total cash and investments			<u>\$10,432,976</u>

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, 2020:

Investment Type	12/31/2020	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Treasury Bills	\$6,685,997	\$6,685,997	\$ -	\$ -
Brokered certificates of deposit	1,743,062	-	1,743,062	-
		<u>\$6,685,997</u>	<u>\$1,743,062</u>	<u>\$0</u>
Investments not categorized:				
Money market mutual fund	<u>1,286,852</u>			
	<u>\$9,715,911</u>			

**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.

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020

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. With the exception of investments issued by or explicitly guaranteed by the US Government and investments in mutual funds, external investment pools, and other pooled investments, the District does not have any applicable investments that exceed 5% of their total investments balance at December 31, 2020.

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 investments that are in the possession of an outside party. Investments in securities that are held by the District’s broker-dealer includes \$500,000 that is insured through SIPC. The broker-dealer has provided additional protection by providing additional insurance. This insurance is subject to aggregate limits applied to all of the broker-dealer’s accounts.

**Note 3 RECEIVABLES**

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

<u>Major Fund</u>	<u>Property Taxes</u>
509 Implementation Fund	\$86,100

**Note 4 UNAVAILABLE REVENUES**

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

	<u>509 Plan Implementation</u>
Delinquent property taxes	\$99,120

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**Note 5 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$429,918	\$ -	\$ -	\$429,918
Land improvements - inexhaustible	63,501	-	-	63,501
Intangible assets	9,474	-	-	9,474
Construction in progress	19,293	-	(19,293)	-
Total capital assets not being depreciated	<u>522,186</u>	<u>0</u>	<u>(19,293)</u>	<u>502,893</u>
Capital assets, being depreciated:				
Building	1,608,324	275,173	-	1,883,497
Land improvements - exhaustible	664,402	-	-	664,402
Furniture and equipment	156,105	-	-	156,105
Website redesign	19,016	-	-	19,016
Total capital assets being depreciated	<u>2,447,847</u>	<u>275,173</u>	<u>0</u>	<u>2,723,020</u>
Less accumulated depreciation for:				
Building	289,199	54,375	-	343,574
Land improvements - exhaustible	148,741	33,097	-	181,838
Furniture and equipment	79,421	22,249	-	101,670
Website redesign	15,212	3,804	-	19,016
Total accumulated depreciation	<u>532,573</u>	<u>113,525</u>	<u>0</u>	<u>646,098</u>
Total capital assets being depreciated - net	<u>1,915,274</u>	<u>161,648</u>	<u>0</u>	<u>2,076,922</u>
Governmental activities capital assets - net	<u>\$2,437,460</u>	<u>\$161,648</u>	<u>(\$19,293)</u>	<u>\$2,579,815</u>

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

Governmental activities:	
General government	\$105,943
Program	<u>7,582</u>
Total depreciation expense	<u>\$113,525</u>

**Note 6 COMMITMENTS AND CONTINGENCIES**

The District's management has indicated that there are no existing and pending lawsuits, claims and other actions in which the District is a defendant.

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**Note 7 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.

Changes in general long-term liabilities for the year ended December 31, 2020 is as follows:

	<u>Balance</u> <u>12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Compensated payable	<u>\$45,009</u>	<u>\$33,917</u>	<u>(\$27,555)</u>	<u>\$51,371</u>	<u>\$22,515</u>

It is not practicable to determine the specific year of payment of long-term accrued compensated absences. Compensated absences are liquidated by the 509 Plan Implementation Fund.

**Note 8 FUND BALANCE**

At December 31, 2020, the District had the following fund balance classifications:

	<u>509 Plan</u> <u>Implementation</u>
Nonspendable	<u>\$18,878</u>
Committed to:	
509 plan implementation	<u>7,447,856</u>
Assigned to:	
509 plan implementation	<u>1,470,507</u>
Total	<u>\$8,937,241</u>

**Note 9 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, errors and omissions and natural disasters for which the District carries insurance policies. The District retains risk for the deductible portions of the insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

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

**Note 10 DEFINED BENEFIT PENSION PLANS**

**A. PLAN DESCRIPTION**

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

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

**B. BENEFITS PROVIDED**

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

---

**C. CONTRIBUTIONS**

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the GERP for the year ended December 31, 2020, were \$23,539. The District's contributions were equal to the required contributions as set by state statute.

**D. PENSION COSTS**

At December 31, 2020, the District reported a liability of \$257,805 for its proportionate share of GERP'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 \$7,891. 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 proportionate share was 0.0043% at the end of the measurement period and 0.0038% for the beginning of the period.

District's proportionate share of the net pension liability	\$257,805
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>7,891</u>
Total	<u><u>\$265,696</u></u>

For the year ended December 31, 2020, the District recognized pension expense of \$20,968 for its proportionate share of the GERP's pension expense. In addition, the District recognized an additional \$687 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERP.



**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$2,356	\$975
Changes in actuarial assumptions	-	9,722
Net collective difference between projected and actual investment earnings	2,261	-
Changes in proportion	48,577	-
Contributions paid to PERA subsequent to the measurement date	<u>11,897</u>	<u>-</u>
Total	<u>\$65,091</u>	<u>\$10,697</u>

The \$11,897 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense</u>
2021	\$9,200
2022	15,287
2023	11,782
2024	6,228
Thereafter	-

**E. ACTUARIAL ASSUMPTIONS**

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

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

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

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

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

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

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- As recommended in the June 30, 2019 experience study, assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- The base mortality tables were changed from RP-2014 tables to Pub-2010 tables, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	100%	

**F. DISCOUNT RATE**

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

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020

**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:

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
Proportionate share of the GERF net pension liability	\$413,171	\$257,805	\$129,640

**H. PENSION PLAN FIDUCIARY NET POSITION**

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at [www.mnpera.org](http://www.mnpera.org).

**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. 87 *Leases*.** The provisions of this Statement are effective for reporting periods beginning after June 15, 2021

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

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

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

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

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

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

**- This page intentionally left blank -**

**REQUIRED SUPPLEMENTARY INFORMATION**

**NINE MILE CREEK WATERSHED DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - 509 PLAN IMPLEMENTATION**  
For The Year Ended December 31, 2020  
With Comparative Totals For The Year Ended December 31, 2019

**Statement 6**

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>Revenues:</b>					
General property taxes	\$2,720,000	\$2,720,000	\$2,694,400	(\$25,600)	\$2,683,144
Intergovernmental revenue	-	-	92,506	92,506	13,479
Investment income	-	-	56,455	56,455	180,908
Permit fees	-	-	43,990	43,990	56,578
Stormwater facilities	-	-	24,259	24,259	13,360
Reimbursement	-	-	8,724	8,724	12,978
Total revenues	<u>2,720,000</u>	<u>2,720,000</u>	<u>2,920,334</u>	<u>200,334</u>	<u>2,960,447</u>
<b>Expenditures:</b>					
Current:					
General government	935,000	850,000	759,283	90,717	700,334
Programs	974,000	1,154,000	1,097,265	56,735	934,086
Projects	2,800,000	1,100,000	682,365	417,635	456,445
Capital outlay:					
General government	-	290,000	255,880	34,120	49,930
Total expenditures	<u>4,709,000</u>	<u>3,394,000</u>	<u>2,794,793</u>	<u>599,207</u>	<u>2,140,795</u>
Net change in fund balance	<u>(\$1,989,000)</u>	<u>(\$674,000)</u>	125,541	<u>(\$398,873)</u>	819,652
Fund balance - January 1			<u>8,811,700</u>		<u>7,992,048</u>
Fund balance - December 31			<u>\$8,937,241</u>		<u>\$8,811,700</u>

See accompanying notes to the required supplementary information.

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

Statement 7

Measurement Date June 30	Fiscal Year Ending December 31	District's Proportionate (Percentage) of the Net Pension Liability	District's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with District (a+b)	Covered Payroll (c)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	0.0027%	\$139,928	\$ -	\$139,928	\$166,111	84.2%	78.2%
2016	2016	0.0034%	276,063	3,664	279,727	212,027	131.9%	68.9%
2017	2017	0.0031%	197,902	2,479	200,381	198,547	100.9%	75.9%
2018	2018	0.0033%	183,070	6,167	189,237	224,120	84.4%	79.5%
2019	2019	0.0038%	210,093	6,500	216,593	267,360	81.0%	80.2%
2020	2020	0.0043%	257,805	7,891	265,696	305,663	86.9%	79.1%

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

See accompanying notes to the required supplementary information.

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

**Statement 8**

---

Fiscal Year Ending December 31,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$14,119	\$14,119	\$ -	\$188,478	7.5%
2016	14,909	14,909	-	198,787	7.5%
2017	16,149	16,149	-	215,320	7.5%
2018	17,600	17,600	-	234,667	7.5%
2019	22,339	22,339	-	297,853	7.5%
2020	23,539	23,539	-	313,853	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.



**NINE MILE CREEK WATERSHED DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO RSI**  
December 31, 2020

---

**Note A LEGAL COMPLIANCE – 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**

*2020 Changes*

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- As recommended in the June 30, 2019 experience study, assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- The base mortality tables were changed from RP-2014 tables to Pub-2010 tables, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

*2019 Changes*

Changes in Actuarial Assumptions

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

Changes in the Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

*2018 Changes*

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

**NINE MILE CREEK WATERSHED DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO RSI**  
December 31, 2020

---

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.

**OTHER INFORMATION - UNAUDITED**

**NINE MILE CREEK WATERSHED DISTRICT**  
**MARKET VALUES BY WATERSHED - UNAUDITED**

**For Taxes Payable in 2020**

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

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

**Proposed For Taxes Payable in 2021**

Watershed	Estimated Market Value		
	Personal	Real	Total
1 Nine Mile Creek	\$108,269,000	\$22,813,089,800	\$22,921,358,800
2 Elm Creek WMO	186,668,500	15,556,466,700	15,743,135,200
3 Lower MN River	693,183,600	4,124,596,200	4,817,779,800
4 Minnehaha Creek	327,991,236	56,972,645,100	57,300,636,336
5 Riley Purgatory	112,310,500	12,287,165,600	12,399,476,100
6 Rice Creek	863,700	193,771,000	194,634,700
7 Middle Mississippi	246,449,700	37,080,019,900	37,326,469,600
8 Bassett Creek	124,889,700	16,427,950,200	16,552,839,900
9 Shingle Creek	119,898,300	16,169,314,300	16,289,212,600
10 West Mississippi WMO	62,126,700	8,067,144,500	8,129,271,200
County total	<u>\$1,982,650,936</u>	<u>\$189,692,163,300</u>	<u>\$191,674,814,236</u>

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

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

Taxable Market Value			Referendum Market Value		
Personal	Real	Total	Personal	Real	Total
\$108,269,000	\$22,491,322,988	\$22,599,591,988	\$108,269,000	\$22,660,434,575	\$22,768,703,575
186,668,500	15,292,756,617	15,479,425,117	186,668,500	15,144,033,800	15,330,702,300
693,183,600	4,036,347,327	4,729,530,927	688,348,200	4,082,781,200	4,771,129,400
327,991,236	56,280,572,177	56,608,563,413	327,991,236	55,844,983,225	56,172,974,461
112,310,500	12,115,884,671	12,228,195,171	112,310,500	12,217,164,125	12,329,474,625
863,700	190,447,330	191,311,030	863,700	193,321,000	194,184,700
245,939,370	36,570,798,341	36,816,737,711	241,774,100	36,646,531,350	36,888,305,450
124,889,700	16,084,465,084	16,209,354,784	124,889,700	16,311,700,075	16,436,589,775
119,898,300	15,544,849,094	15,664,747,394	119,898,300	16,012,412,975	16,132,311,275
62,126,700	7,775,933,647	7,838,060,347	62,126,700	7,933,384,000	7,995,510,700
<u>\$1,982,140,606</u>	<u>\$186,383,377,276</u>	<u>\$188,365,517,882</u>	<u>\$1,973,139,936</u>	<u>\$187,046,746,325</u>	<u>\$189,019,886,261</u>

**- This page intentionally left blank -**

## **OTHER REQUIRED REPORTS**

**- This page intentionally left blank -**





## REPORT ON INTERNAL CONTROL

To the Honorable Managers and Management of the  
Nine Mile Creek Watershed District  
Eden Prairie, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Nine Mile Creek Watershed District as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Nine Mile 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 Nine Mile Creek Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Nine Mile 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, Nine Mile Creek Watershed District's Board of Managers and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

February 19, 2021

**- This page intentionally left blank -**



## MINNESOTA LEGAL COMPLIANCE REPORT

To the Honorable Managers of the  
Nine Mile Creek Watershed District  
Eden Prairie, 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 Nine Mile Creek Watershed District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Nine Mile Creek Watershed District's basic financial statements, and have issued our report thereon dated February 19, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that Nine Mile Creek Watershed District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Nine Mile Creek Watershed District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of Nine Mile 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

February 19, 2021

**- This page intentionally left blank -**