

**MISSISSIPPI WATERSHED  
MANAGEMENT ORGANIZATION**

ANNUAL FINANCIAL REPORT

December 31, 2019

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**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**  
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## **INTRODUCTORY SECTION**

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# MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION

## ORGANIZATION

December 31, 2019

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### Board of Commissioners:

Donna Schmitt  
Steve Eggert  
Jeffrey Dains  
Kevin Reich  
Chris Meyer  
Jerry Faust  
Vacant

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City
Columbia Heights & Hilltop
Fridley
Lauderdale
Minneapolis
Minneapolis Park & Recreation Board
Saint Anthony Village
Saint Paul

### Alternates:

Bertha Risdahl  
Tom Tillberry  
Mary Gaasch  
Steve Fletcher  
Kale Severson  
Randy Stille  
Vacant

Columbia Heights & Hilltop
Fridley
Lauderdale
Minneapolis
Minneapolis Park & Recreation Board
Saint Anthony Village
Saint Paul

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Mississippi Watershed Management Organization  
Minneapolis, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Mississippi Watershed Management Organization, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Mississippi Watershed Management Organization'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 Mississippi Watershed Management Organization, as of December 31, 2019, 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.

## **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 the pension information, and notes to RSI as referred to 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 Mississippi Watershed Management Organization's basic financial statements. The introductory section, individual fund financial statements, and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and other information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Report on Summarized Comparative Information**

We have previously audited Mississippi Watershed Management Organization's 2018 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 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

June 24, 2020

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## **BASIC FINANCIAL STATEMENTS**

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**
**STATEMENT OF NET POSITION**
**Statement 1**

December 31, 2019

With Comparative Totals For December 31, 2018

	Primary Government	
	Governmental Activities	
	2019	2018
Assets:		
Cash and investments	\$24,118,622	\$21,936,151
Due from other governments	129,251	61,633
Prepays	18,217	19,315
Property taxes receivable:		
Delinquent	116,197	117,252
Due from county	25,133	37,649
Capital assets - net:		
Nondepreciable	616,322	662,583
Depreciable	6,187,337	6,342,769
Total assets	31,211,079	29,177,352
Deferred outflows of resources:		
Related to pensions	93,909	213,517
Liabilities:		
Accounts payable	159,564	54,687
Due to other governments	98,532	18,177
Contracts payable	205,712	-
Retainage payable	47,482	31,134
Deposits payable	185,201	276,052
Salaries payable	75,381	70,050
Unearned revenue	577,970	81,609
Compensated absences payable:		
Due within one year	57,910	58,027
Net pension liability:		
Due in more than one year	818,259	832,139
Total liabilities	2,226,011	1,421,875
Deferred inflows of resources:		
Related to pensions	155,792	200,658
Net position:		
Net investment in capital assets	6,803,659	7,005,352
Unrestricted	22,119,526	20,762,984
Total net position	\$28,923,185	\$27,768,336

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



**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**
**STATEMENT OF ACTIVITIES**
**Statement 2**

For The Year Ended December 31, 2019

With Comparative Totals For The Year Ended December 31, 2018

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	
					2019	2018
Primary government:						
Governmental activities:						
General government	\$2,046,454	\$ -	\$10,273	\$ -	(\$2,036,181)	(\$1,973,513)
Programs	1,131,620	-	36,232	-	(1,095,388)	(1,063,048)
Projects	1,991,413	-	205,599	-	(1,785,814)	(2,668,358)
Total governmental activities	<u>\$5,169,487</u>	<u>\$0</u>	<u>\$252,104</u>	<u>\$0</u>	<u>(4,917,383)</u>	<u>(5,704,919)</u>
General revenues:						
Property taxes					5,624,130	5,647,325
Unrestricted investment earnings					402,699	277,196
Miscellaneous other					45,403	18,356
Total general revenues					<u>6,072,232</u>	<u>5,942,877</u>
Change in net position					1,154,849	237,958
Net position - January 1					<u>27,768,336</u>	<u>27,530,378</u>
Net position - December 31					<u>\$28,923,185</u>	<u>\$27,768,336</u>

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

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**
**BALANCE SHEET**
**Statement 3**
**GOVERNMENTAL FUNDS**

December 31, 2019

With Comparative Totals For December 31, 2018

Assets	General Fund	Project and Program Fund	Capital Asset Replacement Fund	Total Governmental Funds	
				2019	2018
Cash	\$2,251,688	\$21,450,207	\$416,727	\$24,118,622	\$21,936,151
Due from other governments	3,364	125,887	-	129,251	61,633
Prepays	10,415	7,802	-	18,217	19,315
Taxes receivable:					
Delinquent	38,436	72,757	5,004	116,197	117,252
Due from county	8,186	15,808	1,139	25,133	37,649
Total assets	<u>\$2,312,089</u>	<u>\$21,672,461</u>	<u>\$422,870</u>	<u>\$24,407,420</u>	<u>\$22,172,000</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$7,121	\$152,443	\$ -	\$159,564	\$54,687
Due to other governments	610	97,922	-	98,532	18,177
Salaries payable	75,381	-	-	75,381	70,050
Contracts payable	-	205,712	-	205,712	-
Retainage payable	-	47,482	-	47,482	31,134
Deposits payable	-	185,201	-	185,201	276,052
Unearned revenue	-	577,970	-	577,970	81,609
Total liabilities	<u>83,112</u>	<u>1,266,730</u>	<u>0</u>	<u>1,349,842</u>	<u>531,709</u>
Deferred inflows of resources:					
Unavailable revenues	<u>38,436</u>	<u>72,757</u>	<u>5,004</u>	<u>116,197</u>	<u>117,252</u>
Fund balance:					
Nonspendable	10,415	7,802	-	18,217	19,315
Committed	-	17,336,271	-	17,336,271	16,612,051
Assigned	-	2,988,901	417,866	3,406,767	2,923,038
Unassigned	<u>2,180,126</u>	<u>-</u>	<u>-</u>	<u>2,180,126</u>	<u>1,968,635</u>
Total fund balance	<u>2,190,541</u>	<u>20,332,974</u>	<u>417,866</u>	<u>22,941,381</u>	<u>21,523,039</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$2,312,089</u>	<u>\$21,672,461</u>	<u>\$422,870</u>	<u>\$24,407,420</u>	<u>\$22,172,000</u>
Fund balance reported above				\$22,941,381	\$21,523,039
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.				6,803,659	7,005,352
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.				116,197	117,252
Deferred outflows of resources - pension related are not current financial resources and, therefore, are not reported in the funds.				93,909	213,517
Deferred inflows 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.				(155,792)	(200,658)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:					
Compensated absences payable				(57,910)	(58,027)
Net pension liability				<u>(818,259)</u>	<u>(832,139)</u>
Net position of governmental activities				<u>\$28,923,185</u>	<u>\$27,768,336</u>

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

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**
**STATEMENT OF REVENUES, EXPENDITURES AND**
**Statement 4**
**CHANGES IN FUND BALANCE**
**GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2019

With Comparative Totals For The Year Ended December 31, 2018

	General Fund	Project and Program Fund	Capital Asset Replacement Fund	Total Governmental Funds	
				2019	2018
Revenues:					
Property taxes	\$1,868,007	\$3,489,551	\$267,627	\$5,625,185	\$5,621,626
Intergovernmental	3,039	120,592	-	123,631	195,761
Reimbursement revenue	3,746	121,239	1,578	126,563	162,862
Investment income	30,081	366,145	6,473	402,699	277,196
Other	42,902	2,501	-	45,403	18,356
Total revenues	<u>1,947,775</u>	<u>4,100,028</u>	<u>275,678</u>	<u>6,323,481</u>	<u>6,275,801</u>
Expenditures:					
Current:					
Personnel costs	1,405,431	-	-	1,405,431	1,390,735
Administrative	36,629	-	-	36,629	39,656
Insurance	33,450	-	-	33,450	34,751
Contracted professional services	179,498	-	-	179,498	160,804
Building operations	46,201	-	-	46,201	49,255
Building	-	-	35,110	35,110	-
Equipment	-	-	19,169	19,169	-
Other	35,805	-	6,642	42,447	40,815
Programs	-	1,043,450	-	1,043,450	972,838
Projects	-	1,964,080	-	1,964,080	2,991,341
Capital outlay	-	-	99,674	99,674	263,291
Total expenditures	<u>1,737,014</u>	<u>3,007,530</u>	<u>160,595</u>	<u>4,905,139</u>	<u>5,943,486</u>
Revenues over (under) expenditures	210,761	1,092,498	115,083	1,418,342	332,315
Other financing sources (uses)					
Transfers in	-	-	-	-	300,000
Transfers out	-	-	-	-	(300,000)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	210,761	1,092,498	115,083	1,418,342	332,315
Fund balance - January 1	<u>1,979,780</u>	<u>19,240,476</u>	<u>302,783</u>	<u>21,523,039</u>	<u>21,190,724</u>
Fund balance - December 31	<u><u>\$2,190,541</u></u>	<u><u>\$20,332,974</u></u>	<u><u>\$417,866</u></u>	<u><u>\$22,941,381</u></u>	<u><u>\$21,523,039</u></u>

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

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION****RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS****Statement 5**

For The Year Ended December 31, 2019

With Comparative Totals For The Year Ended December 31, 2018

	<u>2019</u>	<u>2018</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)	\$1,418,342	\$332,315
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. This is the amount by which capital outlays exceeded depreciation in the current period.	(201,693)	(47,088)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,055)	25,699
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds. Long-term liabilities consist of:		
Change in compensated absences payable	117	(6,971)
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 exceeded pension contributions:		
Pension contributions	\$76,809	
Pension expense	(137,671)	(65,997)
Change in net position of governmental activities (Statement 2)	<u>\$1,154,849</u>	<u>\$237,958</u>

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

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Today's organization began as the Middle Mississippi River Watershed Management Organization in 1985, and formalized with a joint powers agreement executed by the Cities of Minneapolis, Saint Paul, Lauderdale, Falcon Heights, Saint Anthony Village, the Minneapolis Park and Recreation Board, and the University of Minnesota in 1997. For business purposes, the organization shortened its name to the Mississippi Watershed Management Organization (MWMO).

The First Generation Watershed Management Plan (Plan), published in December of 1986, was never officially approved, resulting in no projects being implemented. In January 1997, the University of Minnesota left the organization and a Second Generation planning effort was initiated. In 1998, the Capitol Region Watershed District was formed adjacent to the MWMO. Falcon Heights requested to remove itself and its accompanying land area from the MWMO into the newly formed watershed district. In 2000, the Bassett Creek Watershed Management Commission and MWMO entered into an agreement, which resulted in a boundary change that transferred 1,002 acres from the Bassett Creek Watershed Management Commission to the MWMO.

In 2000, the MWMO's Second Generation Plan was approved. In 2006, the Plan was amended to clarify existing programmatic efforts. The MWMO's Third Generation Plan was adopted by the MWMO Board of Commissioners on May 10, 2011. An amendment to the Plan's Capital Improvement Schedule to add additional member projects was adopted by the MWMO Board of Commissioners on May 8, 2012.

In 2011, the Six Cities WMO was dissolved, by August 21, 2012 the cities of Columbia Heights, Fridley and Hilltop, past members of Six Cities WMO, became members of the MWMO. The MWMO's current jurisdictional area includes portions of the Cities of Columbia Heights, Fridley, Hilltop, Lauderdale, Minneapolis, Saint Anthony Village, and Saint Paul and covers approximately 40 square miles. Projects in the cities of Columbia Heights, Fridley and Hilltop related to storm water management were identified and were added to the MWMO Plan's Capital Improvement Schedule via a 2013 plan amendment.

The financial statements of the MWMO have been prepared in conformity with generally accepted accounting principles as applied to government units by the Governmental Accounting Standards Board (GASB). The MWMO's accounting policies are described below:

**A. FINANCIAL REPORTING ENTITY**

In accordance with Governmental Accounting Standards Board (GASB) pronouncements and generally accepted accounting principles, the financial statements of the reporting entity include those of the MWMO (the primary government) and its component units. GASB Statement No. 14 defines a component unit as "legally separate organizations for which the elected officials of the primary government are financially accountable." The MWMO does not have any component units.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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.

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

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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 MWMO 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 at 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 MWMO.

MWMO reports the following major governmental funds:

General Fund – the general operating fund of the MWMO. It is used to account for financial resources to be used for general administrative expenditures related to the construction and maintenance of projects of common benefit to the MWMO.

Project and Program Fund (special revenue fund) – established to account for projects and programs of the MWMO. Property taxes are committed for water projects and programs.

Capital Asset Replacement Fund – established to account for the additions and replacement of capitalized equipment, buildings, land improvements, stormwater infrastructure and intangibles. Fund revenue sources include property taxes, interest earnings and proceeds from the sale of existing assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

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of taxes, are similarly treated when they involve other funds of the MWMO. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

**D. BUDGETS**

Budgets are adopted annually by the Board of Commissioners. During the budget year, supplemental appropriations and deletions are or may be authorized by the Board. 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 MWMO.

None of the funds had expenditures that exceeded budget appropriations in 2019.

**E. CAPITAL BUDGET**

The 2012 Amended JCA describes capital budgets as follows:

“Budget” means a statement of the expected income and expenses of the Organization for each year. The Commission may divide the Budget into a General Fund Budget, covering staff salary and benefits, Commission expenses, rent, office expenses and other administrative expenses, and a Projects and Programs Budget, covering the projects and programs of the Organization, including capital projects. “Capital Improvement Project” means a physical improvement project required by the Metropolitan Surface Water Management Act as found in Minnesota Statutes, Sections 103B.201 to 103B.253 to be included in the capital improvements program of the Plan.

Projects or other necessary expenditures that cannot be accomplished through the ad valorem tax levy shall be addressed by mutual agreement of the affected Members outside of this Agreement.

The Commission will endeavor to equitably apportion the expenditure of Commission funds for projects and programs among the Members' jurisdictions, giving due regard to the financial contributions from tax levies within each Member's jurisdiction as well as the merit of each project and program according to criteria established in the Plan or approved by the Commission.

**F. CASH AND INVESTMENTS**

Cash and investment balances are invested to the extent available in authorized investments. Investment income is allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

Investments are stated at fair value, except for investments in external investment pools that meet GASB 79 requirements, which are stated at amortized cost. Investment income is accrued at the balance sheet date.

**G. PROPERTY TAX REVENUE RECOGNITION**

The Board of Managers annually adopts a tax levy and certifies it to the County in December (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 MWMO, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the MWMO 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 MWMO on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The MWMO has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The MWMO 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 MWMO 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 MWMO in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the MWMO 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 MWMO in January is fully offset by deferred inflow of resources because they are not available to finance current expenditures.

**H. INVENTORIES**

The original cost of materials and supplies has been recorded as expenditures at the time of purchase. None of the MWMO's funds maintain significant amounts of inventories of materials and supplies.

**I. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, infrastructure assets and intangible assets such as easements and computer software are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the MWMO 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.



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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 requires the MWMO to report and depreciate new infrastructure assets effective with the beginning of the 2004 calendar year. Infrastructure assets include lake improvements, dams and drainage systems. Neither their historical cost nor related depreciation 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 MWMO did not acquire any infrastructure assets since implementing GASB Statement No. 34.

The MWMO implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* effective January 1, 2010 which required the MWMO to capitalize and amortize intangible assets. 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 MWMO has elected not to report intangible assets acquired in years prior to 2010.

Property, plant and equipment of the primary government, as well as the component units, are depreciated/amortized, using the straight-line method over the following estimated useful lives:

Land improvements	25 years
Buildings	40 years
Intangibles	5 – 25 years
Furniture and fixtures	5 – 15 years
Office equipment	5 – 10 years
Fleet	5 – 10 years

**J. 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. Bond premiums and discounts are immaterial and are expensed in the year of bond issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**K. 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:

*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 MWMO Board.

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

*Unassigned* - is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

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

**L. INTERFUND TRANSACTIONS**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

**M. 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.

**N. COMPARATIVE TOTALS**

The basic financial statements, required supplementary information, and individual fund 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 MWMO's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**O. COMPENSATED ABSENCES**

It is the MWMO's policy to permit employees to accumulate earned but unused paid time off (PTO) up to limits defined in the employee handbook. All PTO benefits that are vested as severance pay are accrued 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 retirement. In accordance with the provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive PTO benefits.

**P. RECLASSIFICATIONS**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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

In addition to assets, the Statement of Net 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 Net 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.

**R. DEFINED BENEFIT PENSION PLANS**

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.

## S. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures and changes in fund balance includes a reconciliation between *net changes in fund balance – total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “Revenues on the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this (\$1,055) difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2018	(\$117,252)
At December 31, 2019	<u>116,197</u>
Net adjustments to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>(\$1,055)</u>

Another element of that reconciliation states that “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.” The details of this (\$201,693) difference are as follows:

Capital outlay	\$99,674
Depreciation	<u>(301,367)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>(\$201,693)</u>

Another element of that reconciliation states that "Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds." The details of this \$117 difference are as follows:

Compensated absences:	
At December 31, 2018	\$58,027
At December 31, 2019	<u>(57,910)</u>
Net adjustments to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$117</u>

**Note 2 DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

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

Minnesota Statutes require that all MWMO 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 MWMO 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 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 MWMO's deposits may not be returned to it. State statutes require that insurance, surety bonds or collateral protect all MWMO's deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. At year end, the carrying amount of the MWMO's deposits was \$7,181,715, and the bank balance was \$7,206,255. The entire bank balance was covered by federal depository insurance or covered by perfected collateral held in the MWMO's name.

**B. INVESTMENTS**

Minnesota Statutes authorize the MWMO 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.

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- 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.
- 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, 2019, the MWMO had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (In Years)	
			Less Than 1	1 - 5
Brokered certificates of deposit	NR	\$ 6,953,318	\$ 4,734,765	\$ 2,218,553
Federal Home Loan Mortgage Corporation	AAA	782,924	-	782,924
External investment pool - 4M Fund	NR	6,388,830	6,388,830	-
External investment pool - 4M Fund Plus	NR	2,529,981	2,529,981	-
Total investments		16,655,053	<u>\$13,653,576</u>	<u>\$ 3,001,477</u>
Deposits		7,181,715		
Cash with broker		281,854		
Total cash and investments		<u>\$24,118,622</u>		

NR - Not Rated

The MWMO categorizes its fair value measurements within the fair value hierarchy established by the Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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The MWMO has the following recurring fair value measurements as of December 31, 2019:

Investment Type	12/31/2019	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Brokered certificates of deposit	\$6,953,318	\$ -	\$6,953,318	\$ -
Federal Home Loan Mortgage Corporation	782,924	-	782,924	-
	<u>\$7,736,242</u>	<u>\$0</u>	<u>\$7,736,242</u>	<u>\$0</u>
Investments not categorized:				
External investment pool - 4M Fund	6,388,830			
External investment pool - 4M Fund Plus	2,529,981			
Total	<u>\$16,655,053</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 MWMO follows State Statutes in regards to credit risk of investments. The MWMO does not have an investment policy which further limits its investment choices.

The MWMO's external investment pool investment is with the 4M fund which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M fund is an unrated pool and the fair value of the position in the pool is the same as the value of pool shares. The pool is managed to maintain a portfolio weighted average maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1. The pool measures their investments in accordance with Government Accounting Standards Board Statement No. 79, at amortized cost.

The 4M Liquid Asset Fund has no redemption requirements. The 4M Plus Fund requires funds to be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period are subject to a penalty equal to seven days' interest on the amount withdrawn. The 4M Term Series are designed for each investment to be held for the full term of that series. If an investment made in a Term Series is withdrawn prior to the maturity date of that Series, seven days' notice of redemption is required and a penalty will likely be assessed.

**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 MWMO will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the MWMO's investment in a single issuer. The MWMO does not have an investment policy which addresses the concentration of credit risk. The MWMO does not have any investments that are more than 5% of their investment balance.

**Custodial Credit Risk - Investments.** For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the MWMO 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 MWMO's broker-dealer in the amount of \$4,751,683 include \$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. The CDs held by any Term Series will either be insured by FDIC up to the maximum amount of such insurance or fully collateralized by pledged

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securities or letters of credit provided by Federal Home loan Banks for amounts in excess of FDIC insurance. The U.S. government obligations held by a Term Series will be backed by the full faith and credit of the U.S. government or by the agency or instrumentality issuing or guaranteeing the obligation. The municipal obligations held by a Term Series may be backed only by the taxing power of the issuer of such securities or may be secured by specific revenues by the issuer.

**Note 3 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$330,849	\$ -	\$ -	\$330,849
Intangibles - stormwater credits	204,109	-	-	204,109
Permanent easement	12,094	-	-	12,094
Construction in progress	115,531	99,674	(145,935)	69,270
Total capital assets, not being depreciated	662,583	99,674	(145,935)	616,322
Capital assets, being depreciated:				
Buildings	4,443,404	-	-	4,443,404
Land improvements	1,338,046	-	-	1,338,046
Intangibles	1,318,711	145,935	-	1,464,646
Office equipment	351,393	-	-	351,393
Fleet	52,016	-	-	52,016
Furniture and fixtures	299,322	-	-	299,322
Total capital assets, being depreciated	7,802,892	145,935	0	7,948,827
Less accumulated depreciation for:				
Buildings	720,812	111,912	-	832,724
Land improvements	246,832	53,522	-	300,354
Intangibles	139,538	66,514	-	206,052
Office equipment	201,978	42,499	-	244,477
Fleet	48,303	3,713	-	52,016
Furniture and fixtures	102,660	23,207	-	125,867
Total accumulated depreciation	1,460,123	301,367	0	1,761,490
Total capital assets being depreciated - net	6,342,769	(155,432)	-	6,187,337
Governmental activities capital assets - net	\$7,005,352	(\$55,758)	(\$145,935)	\$6,803,659



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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$185,864
Programs	88,170
Projects	<u>27,333</u>
Total depreciation expense	<u>\$301,367</u>

**Note 4 RECEIVABLES**

Significant receivables balances not expected to be collected within one year of December 31, 2019 are as follows:

	General Fund	Project and Program Fund	Capital Asset Replacement Fund	Total
Delinquent property taxes	<u>\$25,844</u>	<u>\$48,937</u>	<u>\$3,368</u>	<u>\$78,149</u>

**Note 5 UNAVAILABLE REVENUE**

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:

	Property Taxes
General Fund	\$38,436
Project and Program Fund	72,757
Capital Asset Replacement Fund	<u>5,004</u>
Total	<u>\$116,197</u>

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**Note 6 FUND BALANCE CLASSIFICATIONS**

At December 31, 2019, a summary of the governmental fund balance classifications are as follows:

	General Fund	Project and Program Fund	Capital Asset Replacement Fund	Total
Nonspendable				
Prepaid items	\$10,415	\$ -	\$ -	\$10,415
Projects and programs	-	7,802	-	7,802
	<u>10,415</u>	<u>7,802</u>	<u>-</u>	<u>18,217</u>
Committed:				
Future project and program costs	-	17,336,271	-	17,336,271
Assigned:				
Projects and programs	-	2,988,901	-	2,988,901
Capital asset replacement	-	-	417,866	417,866
	<u>-</u>	<u>2,988,901</u>	<u>417,866</u>	<u>3,406,767</u>
Unassigned	<u>2,180,126</u>	<u>-</u>	<u>-</u>	<u>2,180,126</u>
Total	<u>\$2,190,541</u>	<u>\$20,332,974</u>	<u>\$417,866</u>	<u>\$22,941,381</u>

**Note 7 FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS**

The MWMO may be eligible to receive financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims would not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the MWMO at December 31, 2019.

**Note 8 RISK MANAGEMENT**

The MWMO is exposed to various risks of loss for which the MWMO carries commercial insurance policies.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The MWMO pays an annual premium to the LMCIT. The MWMO is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess various amounts.

There were no reductions in insurance coverage 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 MWMO 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.

**General Employees Retirement Fund (GERF)**

All full-time and certain part-time employees of the MWMO 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% 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.

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

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**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 2019; the MWMO was required to contribute 7.50% for Coordinated Plan members. The MWMO's contributions to the GERF for the year ended December 31, 2019, were \$76,809. The MWMO's contributions were equal to the required contributions as set by state statute.

**D. PENSION COSTS**

**GERF Pension Costs**

At December 31, 2019, the MWMO reported a liability of \$818,259 for its proportionate share of the GERF's net pension liability. The MWMO's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 MWMO totaled \$25,499. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The MWMO's proportionate share of the net pension liability was based on the MWMO's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the MWMO's proportionate share was .01480%, which was a decrease of .0002% from its proportionate share measured as of June 30, 2018.

MWMO's proportionate share of the net pension liability	\$818,259
State of Minnesota's proportionate share of the net pension liability associated with the MWMO	<u>25,499</u>
Total	<u>\$843,758</u>

For the year ended December 31, 2019, the MWMO recognized pension expense of \$137,671 for its proportionate share of the GERF's pension expense. In addition, the MWMO recognized an additional \$1,910 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

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At December 31, 2019, the MWMO reported its proportionate share of the GERP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$22,606	\$ -
Changes in actuarial assumptions	-	64,101
Net collective difference between projected and actual investment earnings	-	82,388
Changes in proportion	34,541	9,303
Contributions paid to PERA subsequent to the measurement date	36,762	-
Total	<u>\$93,909</u>	<u>\$155,792</u>

\$36,762 reported as deferred outflows of resources related to pensions resulting from MWMO contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2020	(\$26,482)
2021	(53,997)
2022	(19,483)
2023	1,317
Thereafter	-

**E. ACTUARIAL ASSUMPTIONS**

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019.

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

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The following changes in actuarial assumptions and plan provisions occurred in 2019:

**General Employees Fund**

Changes in Actuarial Assumptions:

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

Changes in 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.

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 Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Total	100%	

**F. DISCOUNT RATE**

The discount rate used to measure the total pension liability in 2019 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 statute. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members of the GERF. 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.

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

**G. PENSION LIABILITY SENSITIVITY**

The following presents the MWMO'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 MWMO'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>
MWMO's proportionate share of the GERF net pension liability	\$1,345,173	\$818,259	\$383,186

**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 LONG-TERM DEBT**

**CHANGE IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2019, was as follows:

	<u>Balance 12/31/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/19</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences payable	<u>\$58,027</u>	<u>\$84,916</u>	<u>\$85,033</u>	<u>\$57,910</u>	<u>\$57,910</u>

Compensated absences are generally liquidated by the General Fund.

**Note 11 INTERFUND ACTIVITY**

There was no interfund activity during 2019.

**Note 12 COMMITMENTS AND CONTINGENCIES**

The MWMO is not aware of any existing or pending lawsuits, claims or other actions in which the MWMO is a defendant that would be material to the financial statements.

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

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**Note 13 RECENTLY ISSUED ACCOUNTING STANDARDS**

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

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

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

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

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

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

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.

**Note 14 SUBSEQUENT EVENTS AND UNCERTAINTIES**

The COVID-19 pandemic continues to cause rapidly changing disruptions worldwide. Management has evaluated these conditions and believes that it is not possible to reasonably estimate the financial impact, if any, of COVID-19 on the Organization's financial statements at December 31, 2019.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**
**REQUIRED SUPPLEMENTARY INFORMATION**
**Statement 6**
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For The Year Ended December 31, 2019

With Comparative Actual Amounts For The Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual	Variance with Final Budget - Positive (Negative)	2018 Actual
	Original	Final	Amounts		Amounts
Revenues:					
Property taxes	\$1,875,000	\$1,875,000	\$1,868,007	(\$6,993)	\$1,812,222
Intergovernmental revenue	-	-	3,039	3,039	3,198
Reimbursement revenue	-	-	3,746	3,746	141
Investment income	-	-	30,081	30,081	21,634
Other	-	-	42,902	42,902	18,356
Total revenues	<u>1,875,000</u>	<u>1,875,000</u>	<u>1,947,775</u>	<u>72,775</u>	<u>1,855,551</u>
Expenditures:					
Current:					
Personnel costs	1,605,000	1,605,000	1,405,431	199,569	1,390,735
Insurance	25,000	25,000	33,450	(8,450)	34,751
Contracted professional services	160,000	160,000	179,498	(19,498)	160,804
Miscellaneous	85,000	85,000	118,635	(33,635)	129,726
Total expenditures	<u>1,875,000</u>	<u>1,875,000</u>	<u>1,737,014</u>	<u>137,986</u>	<u>1,716,016</u>
Revenues over (under) expenditures	<u>\$0</u>	<u>\$0</u>	210,761	<u>\$210,761</u>	139,535
Fund balance - January 1			<u>1,979,780</u>		<u>1,840,245</u>
Fund balance - December 31			<u>\$2,190,541</u>		<u>\$1,979,780</u>

See accompanying notes to the required supplementary information.

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - PROJECT AND PROGRAM FUND  
For The Year Ended December 31, 2019  
With Comparative Actual Amounts For The Year Ended December 31, 2018

**Statement 7**

	Budgeted Amounts		2019 Actual	Variance with Final Budget - Positive (Negative)	2018 Actual
	Original	Final	Amounts		Amounts
Revenues:					
Property taxes	\$3,500,000	\$3,500,000	\$3,489,551	(\$10,449)	\$3,809,404
Intergovernmental	-	-	120,592	120,592	192,563
Reimbursement revenue	-	-	121,239	121,239	162,721
Investment income	-	-	366,145	366,145	252,779
Other revenue	-	-	2,501	2,501	-
Total revenues	<u>3,500,000</u>	<u>3,500,000</u>	<u>4,100,028</u>	<u>600,028</u>	<u>4,417,467</u>
Expenditures:					
Projects:					
Halls Island	-	-	-	-	1,500,849
Westminister Project	-	-	46,138	(46,138)	650,000
Fridley Street Reconstruction	-	-	-	-	195,880
Old Bassett Creek Tunnel Assessment	-	-	-	-	162,857
Hiawatha Collegiate HS Stormwater Reuse	-	-	-	-	162,000
Cemstone - CMP Underground Stormwater Sys	-	-	-	-	150,000
East Side Maintenance Storage Facility	-	-	467,646	(467,646)	63,732
8th Street South Tree Trenches (Green ROW: DID)	700,000	700,000	9,334	690,666	33,112
Anoka Co Parks - Riverfront Reg Park Restoration	-	-	-	-	28,120
Northeast Green Campus	-	-	-	-	23,352
Green 4th Street / Prospect North Projects	-	-	563,743	(563,743)	17,328
R L Stevenson Elementary School Riverbank Restoration	-	-	2,339	(2,339)	2,557
Minneapolis Sculpture Garden	-	-	1,553	(1,553)	1,554
City of Fridley Smart Salting BMPS	-	-	60,203	(60,203)	-
Jackson St NE Blue Roof System	-	-	87,533	(87,533)	-
4th Street SE Landscape for Habitat CIP	-	-	347,774	(347,774)	-
3051810 N. Point Health and Wellness Expansion	-	-	33,845	(33,845)	-
N Columbia Golf Course BMP	-	-	343,972	(343,972)	-
Saint Anthony Lane South Industrial Park	250,000	250,000	-	250,000	-
Columbia Heights: Gauvitte Park Area Water Quality Improvements & Flood Protection	500,000	500,000	-	500,000	-
Columbia Heights: Huset Park Water Reuse & Water Quality Improvements	900,000	900,000	-	900,000	-
Total projects	<u>2,350,000</u>	<u>2,350,000</u>	<u>1,964,080</u>	<u>385,920</u>	<u>2,991,341</u>
Programs:					
Grants - stewardship fund	175,000	175,000	294,554	(119,554)	134,939
Master Water Stewards	75,000	75,000	7,497	67,503	69,108
Watershed assessment	400,000	400,000	303,508	96,492	431,161
Communication and outreach	250,000	250,000	169,088	80,912	70,998
Planning	50,000	50,000	49,494	506	57,461
Monitoring	200,000	200,000	219,309	(19,309)	209,171
Total programs	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,043,450</u>	<u>106,550</u>	<u>972,838</u>
Capital outlay	-	-	-	-	263,291
Total expenditures	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,007,530</u>	<u>492,470</u>	<u>4,227,470</u>
Revenues over (under) expenditures	0	0	1,092,498	1,092,498	189,997
Other financing sources (uses)					
Transfers out	-	-	-	-	(300,000)
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	1,092,498	<u>\$1,092,498</u>	(110,003)
Fund balance - January 1			19,240,476		19,350,479
Fund balance - December 31			<u>\$20,332,974</u>		<u>\$19,240,476</u>

See accompanying notes to the required supplementary information.

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - CAPITAL ASSET REPLACEMENT FUND  
 For The Year Ended December 31, 2019  
 With Comparative Actual Amounts For The Year Ended December 31, 2018

**Statement 8**

	Budgeted Amounts		2019 Actual	Variance with Final Budget - Positive (Negative)	2018 Actual
	Original	Final	Amounts		Amounts
Revenues:					
Property taxes	\$270,000	\$270,000	\$267,627	(\$2,373)	\$ -
Reimbursement revenue	-	-	1,578	1,578	-
Investment income	-	-	6,473	6,473	2,783
Total revenues	<u>270,000</u>	<u>270,000</u>	<u>275,678</u>	<u>5,678</u>	<u>2,783</u>
Expenditures:					
Current:					
Building	145,000	145,000	35,110	109,890	-
Equipment	55,000	55,000	19,169	35,831	-
Intangibles	30,000	30,000	-	30,000	-
Other	40,000	40,000	6,642	33,358	-
Total current	<u>270,000</u>	<u>270,000</u>	<u>60,921</u>	<u>209,079</u>	<u>0</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>99,674</u>	<u>(99,674)</u>	<u>-</u>
Total expenditures	<u>270,000</u>	<u>270,000</u>	<u>160,595</u>	<u>109,405</u>	<u>0</u>
Revenues over (under) expenditures	0	0	115,083	115,083	2,783
Other financing sources (uses)					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	<u>115,083</u>	<u>\$115,083</u>	<u>302,783</u>
Fund balance - January 1			<u>302,783</u>		<u>-</u>
Fund balance - December 31			<u>\$417,866</u>		<u>\$302,783</u>

See accompanying notes to the required supplementary information.

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION

REQUIRED SUPPLEMENTARY INFORMATION

Statement 9

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY\* -

GENERAL EMPLOYEES RETIREMENT FUND

For The Year Ended December 31, 2019

Measurement Date June 30	Fiscal Year Ending December 31	MWMO's Proportionate Share (Percentage) of the Net Pension Liability	MWMO's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with MWMO (b)	MWMO's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with MWMO (a+b)	Covered Payroll (c)	MWMO's 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	0.0120%	\$621,902	\$ -	\$621,902	\$702,372	88.5%	78.2%
2016	2016	0.0136%	1,104,253	14,445	1,118,698	844,154	132.5%	68.9%
2017	2017	0.0142%	906,519	11,377	917,896	913,036	100.5%	75.9%
2018	2018	0.0150%	832,139	27,310	859,449	1,006,041	85.4%	79.5%
2019	2019	0.0148%	818,259	25,499	843,758	1,049,697	80.4%	80.2%

\* The schedule is provided prospectively beginning with the MWMO'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.

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION****REQUIRED SUPPLEMENTARY INFORMATION****Statement 10****SCHEDULE OF PENSION CONTRIBUTIONS\* - GENERAL EMPLOYEES RETIREMENT FUND**

For The Year Ended December 31, 2019

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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	\$60,396	\$60,396	\$ -	\$805,274	7.5%
December 31, 2016	63,988	63,988	-	853,166	7.5%
December 31, 2017	73,125	73,125	-	975,005	7.5%
December 31, 2018	77,254	77,254	-	1,030,054	7.5%
December 31, 2019	76,809	76,809	-	1,024,118	7.5%

\* The schedule is provided prospectively beginning with the MWMO'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.

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO RSI**  
December 31, 2019

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**Note A    LEGAL COMPLIANCE – BUDGETS**

The General, Project and Program and Capital Asset Replacement Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The level of budgetary control is at the fund level for the General, Project and Program and Capital Asset Replacement Funds.

**Note B    PENSION INFORMATION**

**PERA – General Employees Retirement Fund**

*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 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

*2017 Changes*

Changes in Actuarial Assumptions:

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

*2016 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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## **INDIVIDUAL FUND FINANCIAL STATEMENTS**

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION****COMPARATIVE BALANCE SHEET****Statement 11****GENERAL FUND**

December 31, 2019

With Comparative Amounts For December 31, 2018

Assets	2019	2018
Cash	\$2,251,688	\$2,036,066
Due from other governments	3,364	-
Prepays	10,415	11,145
Taxes receivable:		
Delinquent	38,436	37,330
Due from county	8,186	11,795
Total assets	<u>\$2,312,089</u>	<u>\$2,096,336</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities:		
Accounts payable	\$7,121	\$5,725
Due to other governments	610	3,451
Salaries payable	75,381	70,050
Total liabilities	<u>83,112</u>	<u>79,226</u>
Deferred inflows of resources:		
Unavailable revenues	<u>38,436</u>	<u>37,330</u>
Fund balance:		
Nonspendable	10,415	11,145
Unassigned	2,180,126	1,968,635
Total fund balance	<u>2,190,541</u>	<u>1,979,780</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$2,312,089</u>	<u>\$2,096,336</u>

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**

**Statement 12**

For The Year Ended December 31, 2019

With Comparative Amounts For The Year Ended December 31, 2018

	2019	2018
Revenues:		
Property taxes	\$1,868,007	\$1,812,222
Intergovernmental	3,039	3,198
Reimbursement revenue	3,746	141
Investment income	30,081	21,634
Other	42,902	18,356
Total revenues	<u>1,947,775</u>	<u>1,855,551</u>
Expenditures:		
Current:		
Wages and benefits	1,325,103	1,312,713
Payroll taxes	80,328	78,022
Administrative	36,629	39,656
Insurance	33,450	34,751
Contracted professional services	179,498	160,804
Building operations	46,201	49,255
Equipment	1,348	7,454
Supplies	5,640	4,812
Telecommunications	23,924	23,677
Other	4,893	4,872
Total expenditures	<u>1,737,014</u>	<u>1,716,016</u>
Revenues over (under) expenditures	210,761	139,535
Fund balance - January 1	<u>1,979,780</u>	<u>1,840,245</u>
Fund balance - December 31	<u><u>\$2,190,541</u></u>	<u><u>\$1,979,780</u></u>

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**

**COMPARATIVE BALANCE SHEET**

**Statement 13**

**PROJECT AND PROGRAM FUND**

December 31, 2019

With Comparative Amounts For December 31, 2018

	2019	2018
<b>Assets</b>		
Cash	\$21,450,207	\$19,597,302
Due from other governments	125,887	61,633
Prepays	7,802	8,170
Taxes receivable:		
Delinquent	72,757	79,922
Due from county	15,808	25,854
<b>Total assets</b>	<b>\$21,672,461</b>	<b>\$19,772,881</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>		
<b>Liabilities:</b>		
Accounts payable	\$152,443	\$48,962
Due to other governments	97,922	14,726
Contracts payable	205,712	-
Retainage payable	47,482	31,134
Deposits payable	185,201	276,052
Unearned revenue	577,970	81,609
<b>Total liabilities</b>	<b>1,266,730</b>	<b>452,483</b>
<b>Deferred inflows of resources:</b>		
Unavailable revenues	72,757	79,922
<b>Fund balance:</b>		
Nonspendable	7,802	8,170
Committed	17,336,271	16,612,051
Assigned	2,988,901	2,620,255
<b>Total fund balance</b>	<b>20,332,974</b>	<b>19,240,476</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$21,672,461</b>	<b>\$19,772,881</b>

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**PROJECT AND PROGRAM FUND**  
For The Year Ended December 31, 2019  
With Comparative Amounts For The Year Ended December 31, 2018

**Statement 14**

	2019	2018
Revenues:		
Property taxes	\$3,489,551	\$3,809,404
Intergovernmental	120,592	192,563
Reimbursement revenue	121,239	162,721
Investment income	366,145	252,779
Other revenue	2,501	-
Total revenues	4,100,028	4,417,467
Expenditures:		
Projects:		
Halls Island	-	1,500,849
Westminister Project	46,138	650,000
NE BMP's for Commercial Properties	-	195,880
Old Bassett Creek Tunnel Assessment	-	162,857
Hiawatha Collegiate HS Stormwater Reuse	-	162,000
Cemstone - CMP Underground Stormwater Sys	-	150,000
East Side Maintenance Storage Facility	467,646	63,732
8th Street South Tree Trenches	9,334	33,112
Anoka Co Parks - Riverfront Reg Park Restoration	-	28,120
Northeast Green Campus	-	23,352
Green 4th Street / Prospect North Project	563,743	17,328
R L Stevenson Elementary School Riverbank Restoration	2,339	2,557
Minneapolis Sculpture Garden	1,553	1,554
City of Fridley Smart Salting BMPS	60,203	-
Jackson St NE Blue Roof System	87,533	-
Towerside Reuse System Reimbursement Fund	-	-
4th Street SE Landscape for Habitat CIP	347,774	-
3051810 N. Point Health and Wellness Expansion	33,845	-
N Columbia Golf Course BMP	343,972	-
Total projects	1,964,080	2,991,341
Programs:		
Grants - stewardship fund	294,554	134,939
Master Water Stewards	7,497	69,108
Watershed assessment	303,508	431,161
Communication and outreach	169,088	70,998
Planning	49,494	57,461
Monitoring	219,309	209,171
Total programs	1,043,450	972,838
Capital outlay	-	263,291
Total expenditures	3,007,530	4,227,470
Revenues over (under) expenditures	1,092,498	189,997
Other financing sources (uses)		
Transfers out	-	(300,000)
Net change in fund balance	1,092,498	(110,003)
Fund balance - January 1	19,240,476	19,350,479
Fund balance - December 31	\$20,332,974	\$19,240,476

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION****COMPARATIVE BALANCE SHEET****Statement 15****CAPITAL ASSET REPLACEMENT FUND**

December 31, 2019

With Comparative Amounts For December 31, 2018

	2019	2018
Assets		
Cash	\$416,727	\$302,783
Taxes receivable:		
Delinquent	5,004	-
Due from county	1,139	-
Total assets	<u>\$422,870</u>	<u>\$302,783</u>
Deferred Inflows of Resources and Fund Balance		
Deferred inflows of resources:		
Unavailable revenues	<u>\$5,004</u>	<u>\$ -</u>
Fund balance:		
Assigned	<u>417,866</u>	<u>302,783</u>
Total deferred inflows of resources, and fund balance	<u>\$422,870</u>	<u>\$302,783</u>

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**CAPITAL ASSET REPLACEMENT FUND**  
For The Year Ended December 31, 2019  
With Comparative Amounts For The Year Ended December 31, 2018

**Statement 16**

	2019	2018
Revenues:		
Property taxes	\$267,627	\$ -
Reimbursement revenue	1,578	-
Investment income	6,473	2,783
Total revenues	<u>275,678</u>	<u>2,783</u>
Expenditures:		
Current:		
Buildings	35,110	
Equipment	19,169	-
Other	6,642	-
Capital outlay	99,674	-
Total expenditures	<u>160,595</u>	<u>0</u>
Revenues over expenditures	115,083	2,783
Other financing sources (uses)		
Transfers in	<u>-</u>	<u>300,000</u>
Net change in fund balance	115,083	302,783
Fund balance - January 1	<u>302,783</u>	<u>-</u>
Fund balance - December 31	<u><u>\$417,866</u></u>	<u><u>\$302,783</u></u>

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## **OTHER INFORMATION - UNAUDITED**

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION****TAX LEVY AND REVENUE BY COUNTY**

December 31, 2019

**Exhibit 1**

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2019 Tax Collections

Hennepin County	\$5,246,837
Ramsey County	27,542
Anoka County	<u>350,805</u>
Total tax collections	<u><u>\$5,625,184</u></u>
Levy amount - per Mississippi WMO budget	<u><u>\$5,700,000</u></u> *
Collection percentage	<u><u>98.7%</u></u>

\* Levy amount includes a contingency for uncollected taxes of \$55,000

**MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION**  
**PROJECT AND PROGRAM FUND INTERGOVERNMENTAL**  
**AND REIMBURSEMENT REVENUE DETAIL**  
December 31, 2019

**Exhibit 2**

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Intergovernmental revenue

Projects:

Board of Soil and Water Resources - NE BMP's Commercial Properties	\$31,511
Hennepin County - NE BMP's Commercial Properties	41,752
Board of Soil and Water Resources - N Columbia Golf Course	47,329

Total intergovernmental revenue	<u><u>\$120,592</u></u>
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Reimbursement revenue

Projects:

Towerside Phase I	\$82,730
Towerside Utility Hub	3,220
IUH Feasibility	4,890
Miscellaneous	2,278

Programs:

CRWD-Blue Green CEZ	14,429
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Monitoring:

Towerside - Reuse Maintenance	13,692
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Total reimbursement revenue	<u><u>\$121,239</u></u>
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## **OTHER REPORTS**

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## REPORT ON INTERNAL CONTROL

To the Board of Commissioners and Management  
Mississippi Watershed Management Organization  
Minneapolis, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Mississippi Watershed Management Organization as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Mississippi Watershed Management Organization'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 Mississippi Watershed Management Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Mississippi Watershed Management Organization's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

This communication is intended solely for the information and use of management, Mississippi Watershed Management Organization'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

June 24, 2020

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## MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Commissioners  
Mississippi Watershed Management Organization  
Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Mississippi Watershed Management Organization, as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the Mississippi Watershed Management Organization's basic financial statements, and have issued our report thereon dated June 24, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Mississippi Watershed Management Organization 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 Mississippi Watershed Management Organization'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 Mississippi Watershed Management Organization 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

June 24, 2020

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