

**MISSISSIPPI WATER MANAGEMENT
ORGANIZATION**

ANNUAL FINANCIAL REPORT

December 31, 2020

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MISSISSIPPI WATER MANAGEMENT ORGANIZATION
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INTRODUCTORY SECTION

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MISSISSIPPI WATER MANAGEMENT ORGANIZATION

ORGANIZATION

December 31, 2020

Board of Commissioners:

Donna Schmitt
Steve Eggert
Jeffrey Dains
Kevin Reich
Chris Meyer
Randy Stille
Vacant

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
Jan Jenson
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, 2020, 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, 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 Mississippi Watershed Management Organization'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 June 24, 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 information and the pension information, 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 Mississippi Watershed Management Organization's basic financial statements. The introductory section, individual fund financial statements, and other information sections 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.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

May 13, 2021

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BASIC FINANCIAL STATEMENTS

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
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	\$22,641,167	\$24,118,622
Due from other governments	1,785,386	129,251
Prepays	23,598	18,217
Property taxes receivable:		
Delinquent	166,703	116,197
Due from county	48,943	25,133
Capital assets - net:		
Nondepreciable	551,600	616,322
Depreciable	6,227,263	6,187,337
Total assets	31,444,660	31,211,079
Deferred outflows of resources related to pensions	76,675	93,909
Liabilities:		
Accounts payable	187,370	159,564
Due to other governments	24,663	98,532
Salaries payable	40,237	75,381
Contracts payable	1,374,775	205,712
Retainage payable	349,090	47,482
Deposits payable	197,909	185,201
Unearned revenue	-	577,970
Compensated absences payable:		
Due within one year	64,562	57,910
Net pension liability:		
Due in more than one year	839,364	818,259
Total liabilities	3,077,970	2,226,011
Deferred inflows of resources related to pensions	76,744	155,792
Net position:		
Net investment in capital assets	6,778,863	6,803,659
Unrestricted	21,587,758	22,119,526
Total net position	\$28,366,621	\$28,923,185

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

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
STATEMENT OF ACTIVITIES
Statement 2

For The Year Ended December 31, 2020

With Comparative Totals For The Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2020	2019
Primary government:						
Governmental activities:						
General government	\$1,947,490	\$ -	\$11,315	\$ -	(\$1,936,175)	(\$2,036,181)
Programs	1,136,889	-	2,143,514	-	1,006,625	(1,095,388)
Projects	5,830,992	-	283,337	-	(5,547,655)	(1,785,814)
Total governmental activities	<u>\$8,915,371</u>	<u>\$0</u>	<u>\$2,438,166</u>	<u>\$0</u>	<u>(6,477,205)</u>	<u>(4,917,383)</u>
General revenues:						
Property taxes					5,635,793	5,624,130
Unrestricted investment earnings					231,500	402,699
Miscellaneous other					53,348	45,403
Total general revenues					<u>5,920,641</u>	<u>6,072,232</u>
Change in net position					(556,564)	1,154,849
Net position - January 1					<u>28,923,185</u>	<u>27,768,336</u>
Net position - December 31					<u>\$28,366,621</u>	<u>\$28,923,185</u>

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

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
BALANCE SHEET
Statement 3
GOVERNMENTAL FUNDS

December 31, 2020

With Comparative Totals For December 31, 2019

Assets	General Fund	Project and Program Fund	Capital Asset Replacement Fund	Total Governmental Funds	
				2020	2019
Cash and investments	\$2,418,516	\$19,906,234	\$316,417	\$22,641,167	\$24,118,622
Due from other governments	4,899	1,780,487	-	1,785,386	129,251
Prepays	12,226	11,372	-	23,598	18,217
Taxes receivable:					
Delinquent	56,116	103,488	7,099	166,703	116,197
Due from county	21,894	25,314	1,735	48,943	25,133
Total assets	\$2,513,651	\$21,826,895	\$325,251	\$24,665,797	\$24,407,420
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$1,519	\$185,851	\$ -	\$187,370	\$159,564
Due to other governments	3,463	21,200	-	24,663	98,532
Salaries payable	40,237	-	-	40,237	75,381
Contracts payable	-	1,374,775	-	1,374,775	205,712
Retainage payable	-	349,090	-	349,090	47,482
Deposits payable	-	197,909	-	197,909	185,201
Unearned revenue	-	-	-	-	577,970
Total liabilities	45,219	2,128,825	0	2,174,044	1,349,842
Deferred inflows of resources:					
Unavailable revenues	56,116	103,488	7,099	166,703	116,197
Fund balance:					
Nonspendable	12,226	11,372	-	23,598	18,217
Committed	-	16,389,190	-	16,389,190	17,336,271
Assigned	-	3,194,020	318,152	3,512,172	3,406,767
Unassigned	2,400,090	-	-	2,400,090	2,180,126
Total fund balance	2,412,316	19,594,582	318,152	22,325,050	22,941,381
Total liabilities, deferred inflows of resources, and fund balance	\$2,513,651	\$21,826,895	\$325,251	\$24,665,797	\$24,407,420
Fund balance reported above				\$22,325,050	\$22,941,381
Amounts reported in the statement of net position are different because:					
Capital assets are not financial resources, and therefore, are not reported in the funds.				6,778,863	6,803,659
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.				166,703	116,197
Deferred outflows of resources related to pensions are not current financial resources, and therefore, are not reported in the funds.				76,675	93,909
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.				(76,744)	(155,792)
Long-term liabilities are not payable in the current period, and therefore, are not reported in the funds:					
Compensated absences payable				(64,562)	(57,910)
Net pension liability				(839,364)	(818,259)
Net position of governmental activities				\$28,366,621	\$28,923,185

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

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For The Year Ended December 31, 2020

With Comparative Totals For The Year Ended December 31, 2019

Statement 4

	General Fund	Project and Program Fund	Capital Asset Replacement Fund	Total Governmental Funds	
				2020	2019
Revenues:					
Property taxes	\$1,884,655	\$3,463,156	\$237,476	\$5,585,287	\$5,625,185
Intergovernmental	2,767	814,756	-	817,523	123,631
Reimbursement revenue	6,285	1,612,095	-	1,618,380	126,563
Investment income	19,484	208,689	3,327	231,500	402,699
Other	53,348	-	-	53,348	45,403
Total revenues	<u>1,966,539</u>	<u>6,098,696</u>	<u>240,803</u>	<u>8,306,038</u>	<u>6,323,481</u>
Expenditures:					
Current:					
Personnel costs	1,407,067	-	-	1,407,067	1,405,431
Administrative	26,875	-	-	26,875	36,629
Insurance	34,432	-	-	34,432	33,450
Contracted professional services	190,173	-	-	190,173	179,498
Building operations	49,979	-	-	49,979	46,201
Building	-	-	-	-	35,110
Equipment	-	-	38,789	38,789	19,169
Other	36,238	-	-	36,238	42,447
Programs	-	1,036,348	-	1,036,348	1,043,450
Projects	-	5,800,740	-	5,800,740	1,964,080
Capital outlay	-	-	301,728	301,728	99,674
Total expenditures	<u>1,744,764</u>	<u>6,837,088</u>	<u>340,517</u>	<u>8,922,369</u>	<u>4,905,139</u>
Net change in fund balance	221,775	(738,392)	(99,714)	(616,331)	1,418,342
Fund balance - January 1	<u>2,190,541</u>	<u>20,332,974</u>	<u>417,866</u>	<u>22,941,381</u>	<u>21,523,039</u>
Fund balance - December 31	<u>\$2,412,316</u>	<u>\$19,594,582</u>	<u>\$318,152</u>	<u>\$22,325,050</u>	<u>\$22,941,381</u>

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

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
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 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)	(\$616,331)	\$1,418,342
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	301,728	99,674
Depreciation expense	(315,070)	(301,367)
Construction in progress adjustment	(11,454)	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in delinquent property taxes receivable	50,506	(1,055)
Compensated absences payable are not due and payable in the current period, and therefore, are not reported in the funds.		
Change in compensated absences payable	(6,652)	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	\$81,118	
Pension expense	(40,409)	40,709
	<u>40,709</u>	<u>(60,862)</u>
Change in net position of governmental activities (Statement 2)	<u>(\$556,564)</u>	<u>\$1,154,849</u>

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

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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 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. *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

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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.

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.

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.

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.

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 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.

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

D. BUDGETS

Budgets are adopted annually by the Board of Commissioners. During the budget year, supplemental appropriations and deletions 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.

The following is a list of funds whose expenditures exceeded budgeted appropriations:

Fund:	<u>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Project and Program Fund	\$3,500,000	\$6,837,088	\$3,337,088

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) are reported as due from county. Taxes not collected by the county by December 31 are reported as delinquent 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. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and are recorded as expenditures/expenses at the time of consumption. The exception to this policy is for insurance, which is reported using the purchases method. Insurance expenditures are recorded in the period that payment is made.

J. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets and intangible assets such as easements and computer software are reported 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 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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

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

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.

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, 2019, 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. 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/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 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 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.

Q. 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.

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the MWMO maintains deposits at depository banks authorized by the Board of Commissioners. All such banks are members of the Federal Reserve System.

Minnesota Statutes require that all of the entity's 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 entity 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 MWMO's deposits may not be returned to it. State statutes require that insurance, surety bonds or collateral protect all MWMO's deposits. At year end, the carrying amount of the MWMO's deposits was \$6,836,129 and the bank balance was \$7,454,501. The entire bank balance was covered by federal depository insurance or covered by perfected collateral held in the MWMO'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 entity 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.

As of December 31, 2020, 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	\$ 7,733,204	\$ 7,488,674	\$ 244,530
External investment pool - 4M Fund	NR	5,288,179	5,288,179	-
External investment pool - 4M Fund Plus	NR	2,777,544	2,777,544	-
Total investments		15,798,927	<u>\$ 15,554,397</u>	<u>\$ 244,530</u>
Deposits		6,836,129		
Cash with broker		6,111		
Total cash and investments		<u>\$ 22,641,167</u>		

NR - Not Rated

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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.

The MWMO 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:				
Brokered certificates of deposit	\$7,733,204	\$ -	\$7,733,204	\$ -
Investments not categorized:				
External investment pool - 4M Fund	5,288,179			
External investment pool - 4M Fund Plus	2,777,544			
Total	<u>\$15,798,927</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 its 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 single investment that exceeds 5% of its total investment portfolio.

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

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

MWMO's broker-dealer in the amount of \$3,732,299 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 are either insured by the FDIC up to the maximum amount of such insurance or fully collateralized by pledged 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 are 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, 2020 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	69,270	301,728	(366,450)	4,548
Total capital assets, not being depreciated	616,322	301,728	(366,450)	551,600
Capital assets, being depreciated:				
Buildings	4,443,404	-	-	4,443,404
Land improvements	1,338,046	6,245	-	1,344,291
Intangibles	1,464,646	297,825	-	1,762,471
Office equipment	351,393	5,663	-	357,056
Fleet	52,016	-	-	52,016
Furniture and fixtures	299,322	45,263	-	344,585
Total capital assets, being depreciated	7,948,827	354,996	0	8,303,823
Less accumulated depreciation for:				
Buildings	832,724	111,912	-	944,636
Land improvements	300,354	53,938	-	354,292
Intangibles	206,052	83,349	-	289,401
Office equipment	244,477	38,392	-	282,869
Fleet	52,016	-	-	52,016
Furniture and fixtures	125,867	27,479	-	153,346
Total accumulated depreciation	1,761,490	315,070	0	2,076,560
Total capital assets being depreciated - net	6,187,337	39,926	-	6,227,263
Governmental activities capital assets - net	\$6,803,659	\$341,654	(\$366,450)	\$6,778,863

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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

Governmental activities:	
General government	\$184,277
Programs	100,541
Projects	<u>30,252</u>
Total depreciation expense	<u>\$315,070</u>

Note 4 RECEIVABLES

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

	General Fund	Project and Program Fund	Capital Asset Replacement Fund	Total
Delinquent property taxes	<u>\$35,516</u>	<u>\$65,503</u>	<u>\$4,495</u>	<u>\$105,514</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	\$56,116
Project and Program Fund	103,488
Capital Asset Replacement Fund	<u>7,099</u>
Total	<u>\$166,703</u>

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 6 FUND BALANCE CLASSIFICATIONS

At December 31, 2020, 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	\$12,226	\$11,372	\$ -	\$23,598
Committed:				
Future project and program costs	-	16,389,190	-	16,389,190
Assigned:				
Projects and programs	-	3,194,020	-	3,194,020
Capital asset replacement	-	-	318,152	318,152
Unassigned	2,400,090	-	-	2,400,090
Total fund balance	<u>\$2,412,316</u>	<u>\$19,594,582</u>	<u>\$318,152</u>	<u>\$22,325,050</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, 2020.

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.

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.

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.

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
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 6.5% of their annual covered salary in fiscal year 2020 and the MWMO was required to contribute 7.5% for Coordinated Plan members. The MWMO's contributions to the GERF for the year ended December 31, 2020, were \$81,118. The MWMO's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

At December 31, 2020, the MWMO reported a liability of \$839,364 for its proportionate share of GERF's net pension liability. The MWMO's City'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 MWMO totaled \$26,005. 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 MWMO's proportion 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The MWMO's proportionate share was 0.0140% at the end of the measurement period and 0.0148% for the beginning of the period.

MWMO's proportionate share of the net pension liability	\$839,364
State of Minnesota's proportionate share of the net pension liability associated with the MWMO	<u>26,005</u>
Total	<u>\$865,369</u>

For the year ended December 31, 2020, the MWMO recognized pension expense of \$40,409 for its proportionate share of the GERF's pension expense. In addition, the MWMO recognized an additional \$2,263 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

At December 31, 2020, reported its proportionate share of the GERF'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	\$7,644	\$3,176
Changes in actuarial assumptions	-	30,856
Net collective difference between projected and actual investment earnings	17,467	-
Changes in proportion	8,732	42,712
Contributions paid to PERA subsequent to the measurement date	42,832	-
Total	<u>\$76,675</u>	<u>\$76,744</u>

\$42,832 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, 2021. 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
2021	(\$51,803)
2022	(16,327)
2023	4,949
2024	20,280
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.

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

F. DISCOUNT RATE

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

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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>
Proportionate share of the GERF net pension liability	\$1,345,209	\$839,364	\$422,082

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.

Note 10 COMPENSATED ABSENCES PAYABLE

Compensated absences activity for the year ended December 31, 2020 was as follows:

	<u>Balance 12/31/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2020</u>	<u>Due Within One Year</u>
Compensated absences payable	<u>\$57,910</u>	<u>\$80,456</u>	<u>\$73,804</u>	<u>\$64,562</u>	<u>\$64,562</u>

Compensated absences are generally liquidated by the General Fund.

Note 11 COMMITMENTS AND CONTINGENCIES

A. LITIGATION

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.

B. COMMITTED CONTRACTS

At December 31, 2020, the MWMO had commitments of \$3,415,532 for uncompleted construction contracts.

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 12 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.

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REQUIRED SUPPLEMENTARY INFORMATION

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Statement 6

For The Year Ended December 31, 2020

With Comparative Actual Amounts For The Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual	Variance with Final Budget - Positive (Negative)	2019 Actual
	Original	Final	Amounts		Amounts
Revenues:					
Property taxes	\$1,905,000	\$1,905,000	\$1,884,655	(\$20,345)	\$1,868,007
Intergovernmental revenue	-	-	2,767	2,767	3,039
Reimbursement revenue	-	-	6,285	6,285	3,746
Investment income	-	-	19,484	19,484	30,081
Other	-	-	53,348	53,348	42,902
Total revenues	<u>1,905,000</u>	<u>1,905,000</u>	<u>1,966,539</u>	<u>61,539</u>	<u>1,947,775</u>
Expenditures:					
Current:					
Personnel costs	1,635,000	1,635,000	1,407,067	227,933	1,405,431
Insurance	30,000	30,000	34,432	(4,432)	33,450
Contracted professional services	200,000	200,000	190,173	9,827	179,498
Miscellaneous	40,000	40,000	113,092	(73,092)	118,635
Total expenditures	<u>1,905,000</u>	<u>1,905,000</u>	<u>1,744,764</u>	<u>160,236</u>	<u>1,737,014</u>
Revenues over (under) expenditures	<u>\$0</u>	<u>\$0</u>	221,775	<u>\$221,775</u>	210,761
Fund balance - January 1			<u>2,190,541</u>		<u>1,979,780</u>
Fund balance - December 31			<u>\$2,412,316</u>		<u>\$2,190,541</u>

See accompanying notes to the required supplementary information.

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
REQUIRED SUPPLEMENTARY INFORMATION
Statement 7
BUDGETARY COMPARISON SCHEDULE - PROJECT AND PROGRAM FUND

For The Year Ended December 31, 2020

With Comparative Actual Amounts For The Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual	Variance with Final Budget - Positive (Negative)	2019 Actual
	Original	Final	Amounts		Amounts
Revenues:					
Property taxes	\$3,500,000	\$3,500,000	\$3,463,156	(\$36,844)	\$3,489,551
Intergovernmental	-	-	814,756	814,756	120,592
Reimbursement revenue	-	-	1,612,095	1,612,095	121,239
Investment income	-	-	208,689	208,689	366,145
Other revenue	-	-	-	-	2,501
Total revenues	<u>3,500,000</u>	<u>3,500,000</u>	<u>6,098,696</u>	<u>2,598,696</u>	<u>4,100,028</u>
Expenditures:					
Projects:					
Westminister Project	-	-	-	-	46,138
Old Bassett Creek Tunnel Assessment	-	-	125,888	(125,888)	-
Hiawatha Collegiate HS Stormwater Reuse	-	-	18,000	(18,000)	-
Islands of Peace Restoration	-	-	140,000	(140,000)	-
East Side Maintenance Storage Facility	-	-	38,622	(38,622)	467,646
8th Street South Tree Trenches (Green ROW: DID)	-	-	283,390	(283,390)	9,334
MPRB WaterWorks	-	-	800,000	(800,000)	-
26th Ave N. Overlook	-	-	45,000	(45,000)	-
Green 4th Street / Prospect North Projects	-	-	93,507	(93,507)	563,743
R L Stevenson Elementary School Riverbank Restoration	-	-	-	-	2,339
Minneapolis Sculpture Garden	-	-	2,144	(2,144)	1,553
City of Fridley Smart Salting BMPS	-	-	-	-	60,203
Jackson St NE Blue Roof System	-	-	115,567	(115,567)	87,533
Edison Safe Routes to School	-	-	103,931	(103,931)	-
4th Street SE Landscape for Habitat CIP	-	-	76,552	(76,552)	347,774
3051810 N. Point Health and Wellness Expansion	-	-	-	-	33,845
N Columbia Golf Course BMP	1,000,000	1,000,000	3,492,182	(2,492,182)	343,972
Exhibit at N. Mississippi Regional Park	-	-	100,000	(100,000)	-
Houston Engineering - Engineering Services	-	-	900	(900)	-
Hoyer Heights Tree Trenches	500,000	500,000	365,057	134,943	-
1 NE and UHT	1,000,000	1,000,000	-	1,000,000	-
Total projects	<u>2,500,000</u>	<u>2,500,000</u>	<u>5,800,740</u>	<u>(3,300,740)</u>	<u>1,964,080</u>
Programs:					
Grants - stewardship fund	250,000	250,000	191,100	58,900	294,554
Master Water Stewards	-	-	1,218	(1,218)	7,497
Watershed assessment	200,000	200,000	555,252	(355,252)	303,508
Communication and outreach	250,000	250,000	28,122	221,878	169,088
Planning	150,000	150,000	80,035	69,965	49,494
Monitoring	150,000	150,000	180,621	(30,621)	219,309
Total programs	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,036,348</u>	<u>(36,348)</u>	<u>1,043,450</u>
Total expenditures	<u>3,500,000</u>	<u>3,500,000</u>	<u>6,837,088</u>	<u>(3,337,088)</u>	<u>3,007,530</u>
Revenues over (under) expenditures	<u>\$0</u>	<u>\$0</u>	<u>(738,392)</u>	<u>(\$738,392)</u>	<u>1,092,498</u>
Fund balance - January 1			<u>20,332,974</u>		<u>19,240,476</u>
Fund balance - December 31			<u>\$19,594,582</u>		<u>\$20,332,974</u>

See accompanying notes to the required supplementary information.

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
REQUIRED SUPPLEMENTARY INFORMATION
Statement 8
BUDGETARY COMPARISON SCHEDULE - CAPITAL ASSET REPLACEMENT FUND

For The Year Ended December 31, 2020

With Comparative Actual Amounts For The Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual	Variance with Final Budget - Positive (Negative)	2019 Actual
	Original	Final	Amounts		Amounts
Revenues:					
Property taxes	\$240,000	\$240,000	\$237,476	(\$2,524)	\$267,627
Reimbursement revenue	-	-	-	-	1,578
Investment income	-	-	3,327	3,327	6,473
Total revenues	<u>240,000</u>	<u>240,000</u>	<u>240,803</u>	<u>803</u>	<u>275,678</u>
Expenditures:					
Current:					
Building	100,000	100,000	-	100,000	35,110
Equipment	75,000	75,000	38,789	36,211	19,169
Intangibles	40,000	40,000	-	40,000	-
Other	25,000	25,000	-	25,000	6,642
Total current	<u>240,000</u>	<u>240,000</u>	<u>38,789</u>	<u>201,211</u>	<u>60,921</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>301,728</u>	<u>(301,728)</u>	<u>99,674</u>
Total expenditures	<u>240,000</u>	<u>240,000</u>	<u>340,517</u>	<u>(100,517)</u>	<u>160,595</u>
Revenues over (under) expenditures	<u>\$0</u>	<u>\$0</u>	<u>(99,714)</u>	<u>(\$99,714)</u>	<u>115,083</u>
Fund balance - January 1			<u>417,866</u>		<u>302,783</u>
Fund balance - December 31			<u>\$318,152</u>		<u>\$417,866</u>

See accompanying notes to the required supplementary information.

MISSISSIPPI WATER 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, 2020

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%
2020	2020	0.0140%	839,364	26,005	865,369	1,002,511	86.3%	79.1%

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

For The Year Ended December 31, 2020

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%
December 31, 2020	81,118	81,118	-	1,083,451	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, 2020

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 each fund.

Note B PENSION INFORMATION

PERA – General Employees Retirement Fund

2020 Changes in Actuarial Assumptions:

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

2020 Changes in Plan Provisions:

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

2019 Changes in Actuarial Assumptions:

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

2019 Changes in the Plan Provisions:

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

2018 Changes in Actuarial Assumptions:

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

2017 Changes in Actuarial Assumptions:

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

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2020

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

2016 Changes in Actuarial Assumptions:

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

INDIVIDUAL FUND FINANCIAL STATEMENTS

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

December 31, 2020

With Comparative Amounts For December 31, 2019

Assets	2020	2019
Cash	\$2,418,516	\$2,251,688
Due from other governments	4,899	3,364
Prepays	12,226	10,415
Taxes receivable:		
Delinquent	56,116	38,436
Due from county	21,894	8,186
Total assets	<u>\$2,513,651</u>	<u>\$2,312,089</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities:		
Accounts payable	\$1,519	\$7,121
Due to other governments	3,463	610
Salaries payable	40,237	75,381
Total liabilities	<u>45,219</u>	<u>83,112</u>
Deferred inflows of resources:		
Unavailable revenues	<u>56,116</u>	<u>38,436</u>
Fund balance:		
Nonspendable	12,226	10,415
Unassigned	2,400,090	2,180,126
Total fund balance	<u>2,412,316</u>	<u>2,190,541</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$2,513,651</u>	<u>\$2,312,089</u>

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
For The Year Ended December 31, 2020
With Comparative Amounts For The Year Ended December 31, 2019

Statement 12

	2020	2019
Revenues:		
Property taxes	\$1,884,655	\$1,868,007
Intergovernmental	2,767	3,039
Reimbursement revenue	6,285	3,746
Investment income	19,484	30,081
Other	53,348	42,902
Total revenues	<u>1,966,539</u>	<u>1,947,775</u>
Expenditures:		
Current:		
Wages and benefits	1,328,651	1,325,103
Payroll taxes	78,416	80,328
Administrative	26,875	36,629
Insurance	34,432	33,450
Contracted professional services	190,173	179,498
Building operations	49,979	46,201
Equipment	1,080	1,348
Supplies	4,897	5,640
Telecommunications	23,791	23,924
Other	6,470	4,893
Total expenditures	<u>1,744,764</u>	<u>1,737,014</u>
Revenues over (under) expenditures	221,775	210,761
Fund balance - January 1	<u>2,190,541</u>	<u>1,979,780</u>
Fund balance - December 31	<u><u>\$2,412,316</u></u>	<u><u>\$2,190,541</u></u>

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
COMPARATIVE BALANCE SHEET
PROJECT AND PROGRAM FUND
December 31, 2020
With Comparative Amounts For December 31, 2019

Statement 13

	2020	2019
Assets		
Cash	\$19,906,234	\$21,450,207
Due from other governments	1,780,487	125,887
Prepays	11,372	7,802
Taxes receivable:		
Delinquent	103,488	72,757
Due from county	25,314	15,808
Total assets	\$21,826,895	\$21,672,461
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities:		
Accounts payable	\$185,851	\$152,443
Due to other governments	21,200	97,922
Contracts payable	1,374,775	205,712
Retainage payable	349,090	47,482
Deposits payable	197,909	185,201
Unearned revenue	-	577,970
Total liabilities	2,128,825	1,266,730
Deferred inflows of resources:		
Unavailable revenues	103,488	72,757
Fund balance:		
Nonspendable	11,372	7,802
Committed	16,389,190	17,336,271
Assigned	3,194,020	2,988,901
Total fund balance	19,594,582	20,332,974
Total liabilities, deferred inflows of resources, and fund balance	\$21,826,895	\$21,672,461

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
PROJECT AND PROGRAM FUND
For The Year Ended December 31, 2020
With Comparative Amounts For The Year Ended December 31, 2019

Statement 14

	2020	2019
Revenues:		
Property taxes	\$3,463,156	\$3,489,551
Intergovernmental	814,756	120,592
Reimbursement revenue	1,612,095	121,239
Investment income	208,689	366,145
Other revenue	-	2,501
Total revenues	6,098,696	4,100,028
Expenditures:		
Projects:		
Westminister Project	-	46,138
Old Bassett Creek Tunnel Assessment	125,888	-
Hiawatha Collegiate HS Stormwater Reuse	18,000	-
Islands of Peace Restoration	140,000	-
East Side Maintenance Storage Facility	38,622	467,646
8th Street South Tree Trenches	283,390	9,334
MPRB WaterWorks	800,000	-
26th Ave N. Overlook	45,000	-
Green 4th Street / Prospect North Project	93,507	563,743
R L Stevenson Elementary School Riverbank Restoration	-	2,339
Minneapolis Sculpture Garden	2,144	1,553
City of Fridley Smart Salting BMPS	-	60,203
Jackson St NE Blue Roof System	115,567	87,533
Edison Safe Routes to School	103,931	-
4th Street SE Landscape for Habitat CIP	76,552	347,774
North Point Health and Wellness Expansion	-	33,845
N Columbia Golf Course BMP	3,492,182	343,972
Exhibit at N. Mississippi Regional Park	100,000	-
Houston Engineering - Engineering Services	900	-
Hoyer Heights Tree Trenches	365,057	-
Total projects	5,800,740	1,964,080
Programs:		
Grants - stewardship fund	191,100	294,554
Master Water Stewards	1,218	7,497
Watershed assessment	555,252	303,508
Communication and outreach	28,122	169,088
Planning	80,035	49,494
Monitoring	180,621	219,309
Total programs	1,036,348	1,043,450
Total expenditures	6,837,088	3,007,530
Revenues over (under) expenditures	(738,392)	1,092,498
Fund balance - January 1	20,332,974	19,240,476
Fund balance - December 31	\$19,594,582	\$20,332,974

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
COMPARATIVE BALANCE SHEET
CAPITAL ASSET REPLACEMENT FUND
 December 31, 2020
 With Comparative Amounts For December 31, 2019

Statement 15

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$316,417	\$416,727
Taxes receivable:		
Delinquent	7,099	5,004
Due from county	<u>1,735</u>	<u>1,139</u>
Total assets	<u><u>\$325,251</u></u>	<u><u>\$422,870</u></u>
Deferred Inflows of Resources and Fund Balance		
Deferred inflows of resources:		
Unavailable revenues	<u>\$7,099</u>	<u>\$5,004</u>
Fund balance:		
Assigned	<u>318,152</u>	<u>417,866</u>
Total deferred inflows of resources and fund balance	<u><u>\$325,251</u></u>	<u><u>\$422,870</u></u>

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
CAPITAL ASSET REPLACEMENT FUND
For The Year Ended December 31, 2020
With Comparative Amounts For The Year Ended December 31, 2019

Statement 16

	2020	2019
Revenues:		
Property taxes	\$237,476	\$267,627
Reimbursement revenue	-	1,578
Investment income	3,327	6,473
Total revenues	<u>240,803</u>	<u>275,678</u>
Expenditures:		
Current:		
Buildings	-	35,110
Equipment	38,789	19,169
Other	-	6,642
Capital outlay	301,728	99,674
Total expenditures	<u>340,517</u>	<u>160,595</u>
Revenues over (under) expenditures	(99,714)	115,083
Fund balance - January 1	<u>417,866</u>	<u>302,783</u>
Fund balance - December 31	<u><u>\$318,152</u></u>	<u><u>\$417,866</u></u>

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OTHER INFORMATION - UNAUDITED

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

December 31, 2020

Exhibit 1

2020 Tax Collections

Hennepin County	\$5,212,044
Ramsey County	28,256
Anoka County	<u>344,987</u>
Total tax collections	<u><u>\$5,585,287</u></u>
Levy amount - per Mississippi WMO budget	<u><u>\$5,700,000</u></u> *
Collection percentage	<u><u>98.0%</u></u>

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

MISSISSIPPI WATER MANAGEMENT ORGANIZATION
PROJECT AND PROGRAM FUND INTERGOVERNMENTAL
AND REIMBURSEMENT REVENUE DETAIL
December 31, 2020

Exhibit 2

Intergovernmental revenue

Projects:

Board of Soil and Water Resources - Watershed Based Funding	\$113,459
Hennepin County - NE BMP's Commercial Properties	913
Metropolitan Council - E. Side Maintenance Facility Project	18,400
Board of Soil and Water Resources - N Columbia Golf Course	672,671
Miscellaneous	9,313
	<hr/>
Total intergovernmental revenue	<hr/> <hr/> \$814,756

Reimbursement revenue

Projects:

IUH Feasibility	\$266,769
CRWD-Blue Green CEZ	\$5,571
Miscellaneous	10,997

Programs:

N Columbia Golf Course	<hr/> 1,328,758
Total reimbursement revenue	<hr/> <hr/> \$1,612,095

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OTHER REQUIRED 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, 2020, 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

May 13, 2021

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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, 2020, 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 May 13, 2021.

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 Minnesota Statute § 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

May 13, 2021

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