

**NINE MILE CREEK
WATERSHED DISTRICT**

ANNUAL FINANCIAL REPORT

For The Year Ended
December 31, 2025

- This page intentionally left blank -

NINE MILE CREEK WATERSHED DISTRICT
TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Organization	3
FINANCIAL SECTION	
Independent Auditor's Report	7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	Statement 1 12
Statement of Activities	Statement 2 13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	Statement 3 14
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	Statement 4 15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds	Statement 5 16
Notes to Financial Statements	17
Required Supplementary Information:	
Budgetary Comparison Schedule - 509 Plan Implementation	Statement 6 32
Schedule of Proportionate Share of Net Pension Liability - General Employees Retirement Fund	Statement 7 33
Schedule of Pension Contributions - General Employees Retirement Fund	Statement 8 34
Notes to RSI	35
OTHER INFORMATION - UNAUDITED	
Market Values by Watershed	Exhibit 1 40
OTHER REQUIRED REPORTS	
Report on Internal Control	45
Minnesota Legal Compliance Report	47
Schedule of Findings and Responses	49

- This page intentionally left blank -

INTRODUCTORY SECTION

- This page intentionally left blank -

NINE MILE CREEK WATERSHED DISTRICT

ORGANIZATION

December 31, 2025

	<u>Term Expires</u>
Board of Managers:	
Larry Olson, President	September 2028
Bob Cutshall, Vice President	September 2027
Chris-Ann Lauria, Secretary	September 2026
Peggy Kvam, Treasurer	September 2026
Brian Kirk, Manager	September 2027
District Administrator:	
Erica Sniegowski	

- This page intentionally left blank -

FINANCIAL SECTION

- This page intentionally left blank -

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Nine Mile Creek Watershed District, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Nine Mile Creek Watershed District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Nine Mile Creek Watershed District, as of December 31, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nine Mile Creek Watershed District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Report on Summarized Comparative Information

We have previously audited Nine Mile Creek Watershed District's 2024 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund in our report dated March 19, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nine Mile Creek Watershed District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nine Mile Creek Watershed District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nine Mile Creek Watershed District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule and the schedules of pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

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 opinions on the basic financial statements are not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and other information sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

March 17, 2026

- This page intentionally left blank -

BASIC FINANCIAL STATEMENTS

NINE MILE CREEK WATERSHED DISTRICT
STATEMENT OF NET POSITION
December 31, 2025
With Comparative Totals For December 31, 2024

Statement 1

	Governmental Activities	
	2025	2024
Assets:		
Cash and investments	\$10,880,094	\$9,836,664
Prepaid expenses	55,457	32,628
Due from other governments	10,158	281,382
Property taxes receivable:		
Delinquent	36,427	23,988
Due from county	1,986	22,739
Capital assets - net:		
Depreciable	1,663,003	1,687,397
Nondepreciable	614,813	614,813
Total assets	<u>13,261,938</u>	<u>12,499,611</u>
Deferred outflows of resources:		
Related to pensions	<u>81,806</u>	<u>80,566</u>
Liabilities:		
Accounts payable	134,846	169,007
Due to other governments	26,194	16,991
Contracts payable	4,730	19,259
Deposits payable	1,253,637	1,176,800
Salaries payable	7,491	6,150
Unearned revenue	34,095	-
Compensated absences payable:		
Due within one year	-	25,240
Due in more than one year	-	10,817
Net pension liability:		
Due in more than one year	208,789	219,336
Total liabilities	<u>1,669,782</u>	<u>1,643,600</u>
Deferred inflows of resources:		
Related to pensions	<u>131,664</u>	<u>150,070</u>
Net position:		
Investment in capital assets	2,277,816	2,302,210
Unrestricted	9,264,482	8,484,297
Total net position	<u>\$11,542,298</u>	<u>\$10,786,507</u>

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

NINE MILE CREEK WATERSHED DISTRICT

STATEMENT OF ACTIVITIES

Statement 2

For The Year Ended December 31, 2025

With Comparative Totals For The Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges For Services	Operating Grants and Contributions	Totals	
				2025	2024
Primary government:					
Governmental activities:					
General government	\$1,476,144	\$53,456	\$16,719	(\$1,405,969)	(\$1,245,207)
Programs	1,732,032	-	89,239	(1,642,793)	(1,549,883)
Projects	257,450	-	2,630	(254,820)	(863,804)
Total governmental activities	<u>\$3,465,626</u>	<u>\$53,456</u>	<u>\$108,588</u>	<u>(3,303,582)</u>	<u>(3,658,894)</u>
General revenues:					
Property taxes				3,572,105	3,082,198
Miscellaneous				186,168	1,679
Unrestricted investment earnings				<u>301,100</u>	<u>439,717</u>
Total general revenues				<u>4,059,373</u>	<u>3,523,594</u>
Change in net position				755,791	(135,300)
Net position - January 1				<u>10,786,507</u>	<u>10,921,807</u>
Net position - December 31				<u>\$11,542,298</u>	<u>\$10,786,507</u>

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

NINE MILE CREEK WATERSHED DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2025
With Comparative Totals For December 31, 2024

Statement 3

	509 Plan Implementation	
	2025	2024
Assets:		
Cash and investments	\$10,880,094	\$9,836,664
Prepaid expenses	55,457	32,628
Due from other governments	10,158	281,382
Taxes receivable:		
Delinquent	36,427	23,988
Due from county	1,986	22,739
Total assets	<u>\$10,984,122</u>	<u>\$10,197,401</u>
Liabilities:		
Accounts payable	\$134,846	\$169,007
Due to other governments	26,194	16,991
Contracts payable	4,730	19,259
Deposits payable	1,253,637	1,176,800
Salaries payable	7,491	6,150
Unearned revenue	34,095	-
Total liabilities	<u>1,460,993</u>	<u>1,388,207</u>
Deferred inflows of resources:		
Unavailable revenue	<u>36,427</u>	<u>23,988</u>
Fund balance:		
Nonspendable	55,457	32,628
Committed for 509 plan implementation	6,175,367	6,014,595
Assigned for 509 plan implementation	3,255,878	2,737,983
Total fund balance	<u>9,486,702</u>	<u>8,785,206</u>
Total liabilities, deferred inflows of resources, and fund balance		
	<u>\$10,984,122</u>	<u>\$10,197,401</u>
Fund balance reported above	\$9,486,702	\$8,785,206
Amounts reported in the statement of net position are different because:		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences payable	-	(36,057)
Net pension liability	(208,789)	(219,336)
Deferred outflows of resources related to pensions are not current financial resources and, therefore, are not reported in the funds		
	81,806	80,566
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		
	(131,664)	(150,070)
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds		
	2,277,816	2,302,210
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds		
	<u>36,427</u>	<u>23,988</u>
Net position of governmental activities (Statement 1)	<u>\$11,542,298</u>	<u>\$10,786,507</u>

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

NINE MILE CREEK WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2025
With Comparative Totals For The Year Ended December 31, 2024

Statement 4

	509 Plan Implementation	
	2025	2024
Revenues:		
General property taxes	\$3,559,666	\$3,163,633
Intergovernmental revenue	109,361	424,898
Investment income	301,100	439,717
Permit fees	53,456	71,845
Reimbursements and miscellaneous	186,168	1,679
Total revenues	<u>4,209,751</u>	<u>4,101,772</u>
Expenditures:		
Current:		
General government	1,513,046	1,199,490
Programs	1,738,215	1,546,343
Projects	256,994	1,288,246
Total expenditures	<u>3,508,255</u>	<u>4,034,079</u>
Revenues over (under) expenditures	701,496	67,693
Fund balance - January 1	<u>8,785,206</u>	<u>8,717,513</u>
Fund balance - December 31	<u><u>\$9,486,702</u></u>	<u><u>\$8,785,206</u></u>

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

NINE MILE CREEK WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2025
With Comparative Totals For The Year Ended December 31, 2024

Statement 5

	<u>2025</u>	<u>2024</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)	\$701,496	\$67,693
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	12,439	(81,435)
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:		
Current expenditures capitalized	90,101	-
Depreciation	(114,495)	(109,536)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in compensated absences payable	36,057	(10,644)
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	\$47,727	
Pension expense	(17,534)	(1,378)
Change in net position of governmental activities (Statement 2)	<u>\$755,791</u>	<u>(\$135,300)</u>

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

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

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

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. There are no organizations considered to be component units of the District.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*. There are no business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The District reports the following major governmental fund:

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

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.

NINE MILE CREEK WATERSHED DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

D. BUDGETARY DATA

The Board of Managers adopts an annual budget for the 509 Plan Implementation Fund. During the budget year, supplemental appropriations and deletions are or may be authorized by the Board. The modified accrual basis of accounting is used by the District for budgeting data. All appropriations end with the fiscal year for which they were made.

The Board of Managers annually adopts a tax levy for collection during the calendar year. The District's records are maintained on a calendar year ending December 31. The revenue budget consists of the calendar year's tax levy.

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

E. CASH AND INVESTMENTS

Investments in external investment pools are stated at amortized cost in accordance with GASB Statement No. 79. All other investments are stated at fair value. Investment income is accrued as of the balance sheet date.

F. PROPERTY TAX REVENUE RECOGNITION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

G. INVENTORIES

The original cost of materials and supplies has been recorded as expenditures at the time of purchase. The District does not maintain significant amounts of inventories of materials and supplies.

H. CAPITAL ASSETS

Capital assets, which include land, land improvements, building, furniture, equipment and intangible assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

I. PREPAIDS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and personal leave benefits. All vacation pay and personal leave that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid, if considered material, is 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 retirements.

As of December 31, 2025, the liability related to compensated absences was not material to the financial statements and therefore, was not reported.

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:

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

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

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

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

Unassigned – consists of negative residual amounts in the funds.

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

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

L. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

M. 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 assets that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The District has one item that qualifies for reporting in this category. It is the pension related deferred outflows of resources 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 assets that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has pension related deferred inflows of resources reported in the government-wide statement of net position. The District also has a type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from delinquent property taxes receivable.

N. COMPARATIVE TOTALS

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2024, from which the summarized information was derived.

O. DEFINED BENEFIT PENSION PLAN

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

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Securities pledged as collateral are required to be held in safekeeping by the District or in a financial institution other than that furnishing the collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At December 31, 2025, the carrying amount of the District's deposits with financial institutions was (\$18,039) and the bank balance was \$2. The entire bank balance was covered by federal depository insurance or perfected collateral held by the District's agent in the District's name.

B. INVESTMENTS

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

The District has investments in the Minnesota Municipal Money Market Fund (4M fund). The 4M fund is an external investment pool which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. For the Term Series and 4M Multi-Class Fund (which includes the Liquid Asset Class and the PLUS Class), 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) of \$1 per share. Investments are measured at amortized cost in accordance with GASB Statement No. 79. The 4M Liquid Asset Class has no redemption requirements.

The 4M Limited Term Duration (LTD) Fund requires a minimum balance of at least \$50,000. Redemptions from the LTD Fund may only be made monthly and require at least two weeks advance notice. The Fund measures its investments at fair value and has a floating NAV per share which is determined daily.

NINE MILE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

As of December 31, 2025, the District had the following investments and maturities:

Investment Type	Rating	Market Value	Investment Maturities (in Years)	
			Less Than 1	1-5
External investment pool - 4M Liquid Asset Class	AAAm	\$3,469,752	\$3,469,752	\$ -
External investment pool - 4M Limited Term Duration (LTD)	AAAm	507,274	507,274	-
U.S. Treasuries	Not Rated	1,251,249	250,762	1,000,487
Brokered certificates of deposit	Not Rated	5,669,858	2,412,600	3,257,258
Total investments		10,898,133	\$6,640,388	\$4,257,745
Deposits		(18,039)		
Total cash and investments		\$10,880,094		

The deficit deposit balance represents checks that were outstanding at year end. As checks are cashed, amounts are automatically transferred from the 4M fund to fund the disbursements.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets; Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly; Level 3 investments are valued using inputs that are unobservable.

The District has the following recurring fair value measurements as of December 31, 2025:

Investment Type	12/31/2025	Fair Value Measurement Using:		
		Level 1	Level 2	Level 3
Investments at fair value:				
U.S. Treasuries	\$1,251,249	\$1,251,249	\$ -	\$ -
Brokered certificates of deposit	5,669,858	-	5,669,858	-
	6,921,107	\$1,251,249	\$5,669,858	\$0
Investments not categorized:				
External investment pool - 4M Liquid Asset Class	3,469,752			
External investment pool - 4M Limited Term Duration (LTD)	507,274			
	\$10,898,133			

C. INVESTMENT RISKS

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. The District follows state statutes relating to credit risk of investments. The District does not have an investment policy which further limits its investment choices.

Interest Rate Risk. Interest rate risk is the risk that changes in the interest rates of debt investments could adversely affect the fair value of an investment. The District does not have an investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the District's investment in a single issuer. The District does not have an investment policy which addresses the concentration of credit risk.

NINE MILE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2025

Custodial Credit Risk – Investments. For investments in securities, custodial credit risk is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures. The District does not have an investment policy which addresses custodial credit risk.

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2025 are as follows:

<u>Major Fund</u>	<u>Property Taxes</u>
509 Implementation Fund	\$18,200

Note 4 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 District reported unavailable revenue in its governmental funds as follows:

<u>Major Fund</u>	<u>Delinquent Property Taxes</u>
509 Implementation Fund	\$36,427

NINE MILE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$429,918	\$ -	\$ -	\$429,918
Land improvements - inexhaustible	175,421	-	-	175,421
Intangible assets	9,474	-	-	9,474
Total capital assets not being depreciated	<u>614,813</u>	<u>0</u>	<u>0</u>	<u>614,813</u>
Capital assets, being depreciated:				
Building	1,892,705	34,983	-	1,927,688
Land improvements - exhaustible	671,242	-	-	671,242
Furniture and equipment	196,529	55,118	-	251,647
Website redesign	19,016	-	-	19,016
Total capital assets being depreciated	<u>2,779,492</u>	<u>90,101</u>	<u>0</u>	<u>2,869,593</u>
Less accumulated depreciation for:				
Building	595,678	64,330	-	660,008
Land improvements - exhaustible	315,214	33,553	-	348,767
Furniture and equipment	162,187	16,612	-	178,799
Website redesign	19,016	-	-	19,016
Total accumulated depreciation	<u>1,092,095</u>	<u>114,495</u>	<u>0</u>	<u>1,206,590</u>
Total capital assets being depreciated - net	<u>1,687,397</u>	<u>(24,394)</u>	<u>0</u>	<u>1,663,003</u>
Governmental activities capital assets - net	<u>\$2,302,210</u>	<u>(\$24,394)</u>	<u>\$0</u>	<u>\$2,277,816</u>

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

Governmental activities:	
General government	\$110,827
Program	3,212
Project	456
Total depreciation expense	<u>\$114,495</u>

Note 6 COMMITMENTS AND CONTINGENCIES

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

Note 7 COMPENSATED ABSENCES

As of December 31, 2025, the liability related to compensated absences was not material to the financial statements and therefore, was not reported. Changes in compensated absences payable for the year ended December 31, 2025 are as follows:

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences payable	<u>\$36,057</u>	<u>(\$36,057)</u>	<u>\$ -</u>	<u>\$ -</u>

Note 8 RISK MANAGEMENT

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

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

Note 9 DEFINED BENEFIT PENSION PLAN

A. PLAN DESCRIPTION

The District participates in the General Employees Retirement Plan (General Plan), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). Plan provisions are established and administered according to Minnesota Statutes Chapters 353, 353D, 353E, 353G and 356. Minnesota Statutes Chapter 356 defines each plan’s financial reporting requirements. PERA’s defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

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. When a member is “vested,” they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

The General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989 receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first ten years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of

service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. 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 1.00% and a maximum of 1.50%. The 2025 annual increase was 1.25%. 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. 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 prorated increase.

C. CONTRIBUTIONS

Minnesota Statutes Chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50% for General Plan members. The District’s contributions to the General Employees Fund for the year ended December 31, 2025, were \$47,727. The District’s contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

At December 31, 2025, the District reported a liability of \$208,789 for its proportionate share of the General Employees Fund’s net pension liability. The District’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the District totaled \$5,037.

District’s proportionate share of the net pension liability	\$208,789
State of Minnesota’s proportionate share of the net pension liability associated with the District	<u>5,037</u>
Total	<u><u>\$213,826</u></u>

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA’s participating employers. The District’s proportionate share was 0.0063% at the end of the measurement period and 0.0059% for the beginning of the period.

For the year ended December 31, 2025, the District recognized pension expense of \$17,534 for its proportionate share of the General Plan’s pension expense. In addition, the District recognized an additional (\$773) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

NINE MILE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

At December 31, 2025, the District reported General Employees Fund deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$19,985	\$ -
Changes in actuarial assumptions	5,030	49,061
Net difference between projected and actual earnings on pension plan investments	-	79,816
Changes in proportion	31,140	2,787
Employer contributions subsequent to the measurement date	<u>25,651</u>	<u>-</u>
Total	<u>\$81,806</u>	<u>\$131,664</u>

The \$25,651 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense</u>
2026	(\$10,648)
2027	(26,380)
2028	(23,641)
2029	(14,840)
2030	-
Thereafter	-

The net pension liability will be liquidated by the 509 Plan Implementation fund.

E. ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability for the cost-sharing defined benefit plan was determined by an actuarial valuation as of June 30, 2025, using the entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.25% per year
Investment Rate of Return	7.00%

The long-term investment rate of return is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.00% is within that range.

Benefit increases after retirement are assumed to be 1.50% for the General Plan.

Salary growth assumptions in the General Plan range in annual increments from 11.50% after one year of service to 3.00% after 27 years of service.

Mortality rates for the General Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

NINE MILE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Actuarial assumptions for the General Plan are reviewed every four years. The General Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.50%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1.00% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.50%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1.00% and 1.50%.
- The 1.00% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

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 equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25.0%	0.75%
Private markets	25.0%	5.90%
Total	<u>100%</u>	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2025 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Plan was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. PENSION LIABILITY SENSITIVITY

The following presents the District’s proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Proportionate share of the General Plan net pension liability	\$507,115	\$208,789	(\$33,221)

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the 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 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. 103 *Financial Reporting Model Improvements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2025.

Statement No. 104 *Disclosure of Certain Capital Assets*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2025.

Statement No. 105 *Subsequent Events*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2026.

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

- This page intentionally left blank -

REQUIRED SUPPLEMENTARY INFORMATION

NINE MILE CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - 509 PLAN IMPLEMENTATION
For The Year Ended December 31, 2025
With Comparative Totals For The Year Ended December 31, 2024

Statement 6

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget - Positive (Negative)	2024 Actual Amounts
	Original	Final			
Revenues:					
General property taxes	\$3,660,500	\$3,660,500	\$3,559,666	(\$100,834)	\$3,163,633
Intergovernmental revenue	545,000	545,000	109,361	(435,639)	424,898
Investment income	-	-	301,100	301,100	439,717
Permit fees	45,000	45,000	53,456	8,456	71,845
Reimbursements and miscellaneous	20,000	20,000	186,168	166,168	1,679
Total revenues	<u>4,270,500</u>	<u>4,270,500</u>	<u>4,209,751</u>	<u>(60,749)</u>	<u>4,101,772</u>
Expenditures:					
Current:					
General government	1,492,500	1,492,500	1,513,046	(20,546)	1,199,490
Programs	2,318,000	2,318,000	1,738,215	579,785	1,546,343
Projects	2,270,000	2,270,000	256,994	2,013,006	1,288,246
Total expenditures	<u>6,080,500</u>	<u>6,080,500</u>	<u>3,508,255</u>	<u>2,572,245</u>	<u>4,034,079</u>
Net change in fund balance	<u>(\$1,810,000)</u>	<u>(\$1,810,000)</u>	701,496	<u>\$2,511,496</u>	67,693
Fund balance - January 1			<u>8,785,206</u>		<u>8,717,513</u>
Fund balance - December 31			<u>\$9,486,702</u>		<u>\$8,785,206</u>

See accompanying notes to the required supplementary information.

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

Statement 7

Measurement Date June 30	Fiscal Year Ending December 31	District's Proportionate (Percentage) of the Net Pension Liability	District's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with District (a+b)	Covered Payroll (c)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	2016	0.0034%	\$276,063	\$3,664	\$279,727	\$212,027	131.9%	68.9%
2017	2017	0.0031%	197,902	2,479	200,381	198,547	100.9%	75.9%
2018	2018	0.0033%	183,070	6,167	189,237	224,120	84.4%	79.5%
2019	2019	0.0038%	210,093	6,500	216,593	267,360	81.0%	80.2%
2020	2020	0.0043%	257,805	7,891	265,696	305,663	86.9%	79.1%
2021	2021	0.0045%	192,170	5,821	197,991	321,035	61.7%	87.0%
2022	2022	0.0051%	403,922	11,730	415,652	381,569	108.9%	76.7%
2023	2023	0.0056%	313,146	8,551	321,697	444,233	72.4%	83.1%
2024	2024	0.0059%	219,336	5,672	225,008	544,253	41.3%	89.1%
2025	2025	0.0063%	208,789	5,037	213,826	570,828	37.5%	90.8%

See accompanying notes to the required supplementary information.

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

Statement 8

Fiscal Year Ending December 31,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2016	\$14,909	\$14,909	\$ -	\$198,787	7.5%
2017	16,149	16,149	-	215,320	7.5%
2018	17,600	17,600	-	234,667	7.5%
2019	22,339	22,339	-	297,853	7.5%
2020	23,539	23,539	-	313,853	7.5%
2021	25,051	25,051	-	334,006	7.5%
2022	31,223	31,223	-	416,306	7.5%
2023	40,532	40,532	-	543,098	7.5%
2024	38,649	38,649	-	515,540	7.5%
2025	47,727	47,727	-	636,357	7.5%

See accompanying notes to the required supplementary information.

Note A LEGAL COMPLIANCE – BUDGETS

The 509 Plan Implementation Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level.

Note B PENSION INFORMATION

PERA – General Employees Retirement Fund

2025 Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.50%.

2025 Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1.00% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.50%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1.00% and 1.50%.
- The additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

2024 Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

2023 Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

NINE MILE CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2025

2022 Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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%.
- 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.
- 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 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.

2018 Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90% funding ratio to 50% of the Social Security Cost-of-Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

NINE MILE CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2025

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.
- 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.

2017 Changes in Plan Provisions:

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

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.

- This page intentionally left blank -

OTHER INFORMATION - UNAUDITED

NINE MILE CREEK WATERSHED DISTRICT
MARKET VALUES BY WATERSHED - UNAUDITED

For Taxes Payable in 2025

<u>Watershed</u>	<u>Estimated Market Value</u>		
	<u>Personal</u>	<u>Real</u>	<u>Total</u>
1 Nine Mile Creek	\$53,462,300	\$28,155,128,900	\$28,208,591,200
2 Elm Creek WMO	167,573,700	23,732,492,200	23,900,065,900
3 Lower MN River	762,112,200	5,257,559,800	6,019,672,000
4 Minnehaha Creek	192,079,500	72,852,332,700	73,044,412,200
5 Riley Purgatory	75,052,600	15,822,592,400	15,897,645,000
6 Rice Creek	1,208,900	251,749,800	252,958,700
7 Mississippi WMO	134,654,500	39,549,766,600	39,684,421,100
8 Bassett Creek	84,599,900	21,426,017,800	21,510,617,700
9 Shingle Creek	63,664,500	21,149,133,100	21,212,797,600
10 West Mississippi WMO	34,018,400	10,591,501,200	10,625,519,600
County total	<u>\$1,568,426,500</u>	<u>\$238,788,274,500</u>	<u>\$240,356,701,000</u>

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

Proposed For Taxes Payable in 2026

<u>Watershed</u>	<u>Estimated Market Value</u>		
	<u>Personal</u>	<u>Real</u>	<u>Total</u>
1 Nine Mile Creek	\$63,397,500	\$28,429,468,100	\$28,492,865,600
2 Elm Creek WMO	202,905,300	24,983,838,000	25,186,743,300
3 Lower MN River	803,508,800	5,334,033,300	6,137,542,100
4 Minnehaha Creek	232,687,700	75,237,663,800	75,470,351,500
5 Riley Purgatory	82,145,600	16,118,387,000	16,200,532,600
6 Rice Creek	1,277,000	249,354,500	250,631,500
7 Mississippi WMO	125,451,400	38,778,433,700	38,903,885,100
8 Bassett Creek	96,682,600	21,715,833,000	21,812,515,600
9 Shingle Creek	70,323,800	21,413,502,100	21,483,825,900
10 West Mississippi WMO	37,093,300	10,749,337,000	10,786,430,300
County total	<u>\$1,715,473,000</u>	<u>\$243,009,850,500</u>	<u>\$244,725,323,500</u>

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

Taxable Market Value			Referendum Market Value		
Personal	Real	Total	Personal	Real	Total
\$53,462,300	\$27,745,419,116	\$27,798,881,416	\$53,462,300	\$27,744,011,575	\$27,797,473,875
167,573,700	23,382,150,929	23,549,724,629	167,573,700	23,154,032,600	23,321,606,300
762,112,200	5,142,363,788	5,904,475,988	704,244,500	5,190,312,900	5,894,557,400
192,079,500	71,927,287,572	72,119,367,072	192,079,500	71,085,480,225	71,277,559,725
75,052,600	15,612,816,451	15,687,869,051	75,052,600	15,665,506,350	15,740,558,950
1,208,900	248,051,243	249,260,143	1,208,900	252,208,700	253,417,600
134,654,500	38,807,925,141	38,942,579,641	120,230,800	37,980,234,650	38,100,465,450
84,599,900	20,999,653,438	21,084,253,338	84,599,900	21,146,934,200	21,231,534,100
63,664,500	20,359,509,669	20,423,174,169	63,664,500	20,694,555,250	20,758,219,750
34,018,400	10,239,496,270	10,273,514,670	34,018,400	10,429,100,500	10,463,118,900
<u>\$1,568,426,500</u>	<u>\$234,464,673,617</u>	<u>\$236,033,100,117</u>	<u>\$1,496,135,100</u>	<u>\$233,342,376,950</u>	<u>\$234,838,512,050</u>

Taxable Market Value			Referendum Market Value		
Personal	Real	Total	Personal	Real	Total
\$63,397,500	\$28,027,652,392	\$28,091,049,892	\$63,397,500	\$28,013,203,450	\$28,076,600,950
202,905,300	24,640,238,011	24,843,143,311	202,905,300	24,386,580,950	24,589,486,250
803,508,800	5,221,084,994	6,024,593,794	749,692,600	5,263,856,825	6,013,549,425
232,687,700	74,350,801,648	74,583,489,348	232,687,700	73,333,179,000	73,565,866,700
82,145,600	15,913,085,220	15,995,230,820	82,145,600	15,950,901,875	16,033,047,475
1,277,000	245,159,018	246,436,018	1,277,000	248,304,500	249,581,500
125,451,400	38,058,901,307	38,184,352,707	110,759,000	37,178,577,925	37,289,336,925
96,682,600	21,298,321,582	21,395,004,182	96,682,600	21,411,464,250	21,508,146,850
70,323,800	20,646,903,980	20,717,227,780	70,323,800	20,961,740,475	21,032,064,275
37,093,300	10,406,625,796	10,443,719,096	37,093,300	10,533,851,275	10,570,944,575
<u>\$1,715,473,000</u>	<u>\$238,808,773,948</u>	<u>\$240,524,246,948</u>	<u>\$1,646,964,400</u>	<u>\$237,281,660,525</u>	<u>\$238,928,624,925</u>

- This page intentionally left blank -

OTHER REQUIRED REPORTS

- This page intentionally left blank -

REPORT ON INTERNAL CONTROL

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

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Nine Mile Creek Watershed District as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Nine Mile Creek Watershed District's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nine Mile Creek Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Nine Mile Creek Watershed District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 those 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 the Board of Managers, management, 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, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

March 17, 2026



- This page intentionally left blank -

MINNESOTA LEGAL COMPLIANCE REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Nine Mile Creek Watershed District as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Nine Mile Creek Watershed District's basic financial statements, and have issued our report thereon dated March 17, 2026.

In connection with our audit, we noted that Nine Mile Creek Watershed District failed to comply with provisions of the depositories of public funds and public investments section 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 as described in the schedule of findings and responses as item 2025-01. Also, in connection with our audit, nothing came to our attention that caused us to believe that Nine Mile Creek Watershed District failed to comply with the provisions of the contracting– bid laws, conflicts of interest, claims and disbursements and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Nine Mile Creek Watershed District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Nine Mile Creek Watershed District's response to the finding identified in our audit is described in the schedule of findings and responses as item 2025-01. Nine Mile Creek Watershed District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of those charged with governance and management of Nine Mile Creek Watershed District and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

March 17, 2026



- This page intentionally left blank -

NINE MILE CREEK WATERSHED DISTRICT
LEGAL COMPLIANCE REPORT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2025

2025-01 Legal Compliance – Lack of Annual Broker Certification Form

Criteria: Minnesota Statute 118A.04 reads in part as follows:

118A.04 Investments

Subdivision 9, parts (b) and (c):

(b) Prior to completing an initial transaction with a broker, a government entity shall provide annually to the broker a written statement of investment restrictions which shall include a provision that all future investments are to be made in accordance with Minnesota Statutes governing the investment of public funds.

(c) A broker must acknowledge annually receipt of the statement of investment restrictions in writing and agree to handle the government entity's account in accordance with these restrictions. A government entity may not enter into a transaction with a broker until the broker has provided this written agreement to the government entity.

Condition: The District switched investment brokers during 2025 and did not obtain a broker certificate from the new broker prior to completing an initial transaction with that broker.

Cause: The District was under the impression that a broker certification was not needed for all types of investments in the 4M Fund, however, fixed income investments require a broker certificate.

Effect: The effect of noncompliance is not determinable.

Recommendation: We recommend the District obtain a broker certification form prior to completing an initial transaction with a broker and annually thereafter.

Management Response: The District has obtained a completed broker certification from its new broker and will in the future obtain a completed form prior to completing an initial transaction with a new broker in addition to obtaining a completed form on an annual basis.

- This page intentionally left blank -