

**NINE MILE CREEK  
WATERSHED DISTRICT**

**ANNUAL FINANCIAL REPORT**

December 31, 2021

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**NINE MILE CREEK WATERSHED DISTRICT**  
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## **INTRODUCTORY SECTION**

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**NINE MILE CREEK WATERSHED DISTRICT**

ORGANIZATION

December 31, 2021

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	<u>Term Expires</u>
<b>Board of Managers:</b>	
Bob Cutshall, President	September 30, 2024
Grace Butler, Vice President	September 30, 2022
Erin Hunker, Secretary	September 30, 2023
Larry Olson, Treasurer	September 30, 2022
Peggy Kvam, Manager	September 30, 2023
<b>District Administrator:</b>	
Randy Anhorn	

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## **FINANCIAL SECTION**

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## 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 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, 2021, 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 accompanying 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, 2021, 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 (GAAS). 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 2020 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 February 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 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 GAAS 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 GAAS, 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 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, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

February 24, 2022

## **BASIC FINANCIAL STATEMENTS**

**NINE MILE CREEK WATERSHED DISTRICT**  
**STATEMENT OF NET POSITION**  
December 31, 2021  
With Comparative Totals For December 31, 2020

**Statement 1**

	Governmental Activities	
	2021	2020
Assets:		
Cash and investments	\$10,238,576	\$10,432,976
Prepaid expenses	28,672	18,878
Accrued interest	729	256
Due from other governments	417,930	37,831
Property taxes receivable:		
Delinquent	89,163	99,120
Due from county	16,862	20,038
Capital assets - net:		
Depreciable	1,959,811	2,076,922
Nondepreciable	614,813	502,893
Total assets	<u>13,366,556</u>	<u>13,188,914</u>
Deferred outflows of resources:		
Related to pensions	<u>162,937</u>	<u>65,091</u>
Liabilities:		
Accounts payable	247,393	201,057
Due to other governments	10,999	57,302
Contracts payable	28,620	15,027
Deposits payable	1,209,900	1,295,450
Salaries payable	5,000	3,902
Unearned revenue	52,030	-
Compensated absences payable:		
Due within one year	34,787	22,515
Due in more than one year	19,223	28,856
Net pension liability:		
Due in more than one year	192,170	257,805
Total liabilities	<u>1,800,122</u>	<u>1,881,914</u>
Deferred inflows of resources:		
Related to pensions	<u>177,002</u>	<u>10,697</u>
Net position:		
Investments in capital assets	2,574,624	2,579,815
Unrestricted	8,977,745	8,781,579
Total net position	<u>\$11,552,369</u>	<u>\$11,361,394</u>

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



**NINE MILE CREEK WATERSHED DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 2021  
With Comparative Totals For The Year Ended December 31, 2020

**Statement 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2021	2020
Primary government:						
Governmental activities:						
General government	\$875,073	\$67,100	\$470	\$ -	(\$807,503)	(\$800,768)
Programs	1,339,592	-	35,229	-	(1,304,363)	(1,084,847)
Projects	1,125,373	-	818,565	-	(306,808)	(604,535)
Total governmental activities	<u>\$3,340,038</u>	<u>\$67,100</u>	<u>\$854,264</u>	<u>\$0</u>	<u>(2,418,674)</u>	<u>(2,490,150)</u>
General revenues:						
Property taxes					2,575,756	2,627,041
Miscellaneous					30,987	3,400
Unrestricted investment earnings					2,906	56,455
Total general revenues					<u>2,609,649</u>	<u>2,686,896</u>
Change in net position					190,975	196,746
Net position - January 1					<u>11,361,394</u>	<u>11,164,648</u>
Net position - December 31					<u>\$11,552,369</u>	<u>\$11,361,394</u>

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

**NINE MILE CREEK WATERSHED DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2021  
With Comparative Totals For December 31, 2020

**Statement 3**

	509 Plan Implementation	
	2021	2020
<b>Assets:</b>		
Cash and investments	\$10,238,576	\$10,432,976
Prepaid expenses	28,672	18,878
Accrued interest	729	256
Due from other governments	417,930	37,831
Taxes receivable:		
Delinquent	89,163	99,120
Due from county	16,862	20,038
Total assets	<u>\$10,791,932</u>	<u>\$10,609,099</u>
<b>Liabilities:</b>		
Accounts payable	\$247,393	\$201,057
Due to other governments	10,999	57,302
Contracts payable	28,620	15,027
Deposits payable	1,209,900	1,295,450
Salaries payable	5,000	3,902
Unearned revenue	52,030	-
Total liabilities	<u>1,553,942</u>	<u>1,572,738</u>
<b>Deferred inflows of resources:</b>		
Unavailable revenue	<u>89,163</u>	<u>99,120</u>
<b>Fund balance:</b>		
Nonspendable	28,672	18,878
Committed	7,558,449	7,447,856
Assigned	1,561,706	1,470,507
Total fund balance	<u>9,148,827</u>	<u>8,937,241</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$10,791,932</u>	<u>\$10,609,099</u>
Fund balance reported above	\$9,148,827	\$8,937,241
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	(54,010)	(51,371)
Net pension liability	(192,170)	(257,805)
Deferred outflows of resources related to pensions are not current financial resources and, therefore, are not reported in the funds		
	162,937	65,091
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		
	(177,002)	(10,697)
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds		
	2,574,624	2,579,815
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds		
	<u>89,163</u>	<u>99,120</u>
Net position of governmental activities (Statement 1)	<u>\$11,552,369</u>	<u>\$11,361,394</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, 2021  
With Comparative Totals For The Year Ended December 31, 2020

**Statement 4**

	509 Plan Implementation	
	2021	2020
Revenues:		
General property taxes	\$2,585,713	\$2,694,400
Intergovernmental revenue	853,794	92,506
Investment income	2,906	56,455
Permit fees	67,100	43,990
Stormwater facilities	-	24,259
Reimbursements and miscellaneous	30,987	8,724
Total revenues	<u>3,540,500</u>	<u>2,920,334</u>
Expenditures:		
Current:		
General government	755,807	759,283
Programs	1,335,814	1,097,265
Projects	1,125,373	682,365
Capital Outlay:		
General government	-	255,880
Projects	111,920	-
Total expenditures	<u>3,328,914</u>	<u>2,794,793</u>
Revenues over (under) expenditures	211,586	125,541
Fund balance - January 1	<u>8,937,241</u>	<u>8,811,700</u>
Fund balance - December 31	<u><u>\$9,148,827</u></u>	<u><u>\$8,937,241</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, 2021  
With Comparative Totals For The Year Ended December 31, 2020

**Statement 5**

	<u>2021</u>	<u>2020</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)	\$211,586	\$125,541
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	(9,957)	(67,359)
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	111,920	255,880
Depreciation	(117,111)	(113,525)
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	(2,639)	(6,362)
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	25,051	
Pension expense	(27,875)	2,571
	<u>(2,824)</u>	<u>2,571</u>
Change in net position of governmental activities (Statement 2)	<u>\$190,975</u>	<u>\$196,746</u>

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

**NINE MILE CREEK WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

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**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.

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 are stated at fair value, based upon quoted market prices. 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:

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

**I. FUND BALANCE CLASSIFICATIONS**

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

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

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

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

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

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

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

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

**J. USE OF ESTIMATES**

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

**K. PREPAIDS**

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

**L. COMPENSATED ABSENCES**

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



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

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. The District 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 District has pension related deferred inflows of resources reported in the government-wide Statement of Net Position. The District 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.

**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, 2020, from which the summarized information was derived.

**O. DEFINED BENEFIT PENSION PLANS**

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

**Note 2 DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

In accordance with Minnesota Statutes, the District maintains 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.

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

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, 2021, the carrying amount of the District's deposits with financial institutions was \$1,020,312 and the bank balance was \$1,009,062. The entire bank balance was covered by federal depository insurance or perfected collateral held by the District's agent in the District's name.

**B. INVESTMENTS**

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

As of December 31, 2021, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Investment Maturities: Less Than 1 Year</u>
Brokered certificate of deposits	Not rated	\$4,435,562	\$4,435,562
Money market mutual fund	AAAm	4,782,702	4,782,702
Total investments		<u>\$9,218,264</u>	<u>9,218,264</u>
Deposits			<u>1,020,312</u>
Total cash and investments			<u>\$10,238,576</u>

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, 2021:

<u>Investment Type</u>	<u>12/31/2021</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value:				
Brokered certificates of deposit	\$4,435,562	<u>\$ -</u>	<u>\$4,435,562</u>	<u>\$ -</u>
Investments not categorized:				
Money market mutual fund	<u>4,782,702</u>			
	<u>\$9,218,264</u>			

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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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. With the exception of investments issued by or explicitly guaranteed by the US Government and investments in mutual funds, external investment pools, and other pooled investments, the District does not have any applicable investments that exceed 5% of their total investments balance at December 31, 2021.

Custodial Credit Risk – Investments. For investments in securities, custodial credit risk is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. Investments in securities that are held by the District's broker-dealer includes \$500,000 that is insured through SIPC. The broker-dealer has provided additional protection by providing additional insurance. This insurance is subject to aggregate limits applied to all of the broker-dealer's accounts.

**Note 3 RECEIVABLES**

Significant receivables balances not expected to be collected within one year of December 31, 2021 are as follows:

<u>Major Fund</u>	<u>Property Taxes</u>
509 Implementation Fund	\$83,300

**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	\$89,163

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

**Note 5 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$429,918	\$ -	\$ -	\$429,918
Land improvements - inexhaustible	63,501	111,920	-	175,421
Intangible assets	9,474	-	-	9,474
Total capital assets not being depreciated	<u>502,893</u>	<u>111,920</u>	<u>0</u>	<u>614,813</u>
Capital assets, being depreciated:				
Building	1,883,497	-	-	1,883,497
Land improvements - exhaustible	664,402	-	-	664,402
Furniture and equipment	156,105	-	-	156,105
Website redesign	19,016	-	-	19,016
Total capital assets being depreciated	<u>2,723,020</u>	<u>0</u>	<u>0</u>	<u>2,723,020</u>
Less accumulated depreciation for:				
Building	343,574	62,783	-	406,357
Land improvements - exhaustible	181,838	33,097	-	214,935
Furniture and equipment	101,670	21,231	-	122,901
Website redesign	19,016	-	-	19,016
Total accumulated depreciation	<u>646,098</u>	<u>117,111</u>	<u>0</u>	<u>763,209</u>
Total capital assets being depreciated - net	<u>2,076,922</u>	<u>(117,111)</u>	<u>0</u>	<u>1,959,811</u>
Governmental activities capital assets - net	<u>\$2,579,815</u>	<u>(\$5,191)</u>	<u>\$0</u>	<u>\$2,574,624</u>

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

Governmental activities:	
General government	\$113,333
Program	<u>3,778</u>
Total depreciation expense	<u>\$117,111</u>

**Note 6 COMMITMENTS AND CONTINGENCIES**

At December 31, 2021, the District had a commitment of \$462,853 for uncompleted contract work on the Rosland Park Stormwater Filtration BMP project.

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

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

**Note 7 COMPENSATED ABSENCES**

It is the District’s policy to permit employees to accumulate earned but unused vacation and personal leave benefits. All vacation pay and personal leave that is payable at termination is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Changes in compensated absences payable for the year ended December 31, 2021 are as follows:

	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences payable	<u>\$51,371</u>	<u>\$39,967</u>	<u>(\$37,328)</u>	<u>\$54,010</u>	<u>\$34,787</u>

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

**Note 8 FUND BALANCE**

At December 31, 2021, the District had the following fund balance classifications:

	<u>509 Plan</u> <u>Implementation</u>
Nonspendable	<u>\$28,672</u>
Committed to:	
509 plan implementation	<u>7,558,449</u>
Assigned to:	
509 plan implementation	<u>1,561,706</u>
Total	<u>\$9,148,827</u>

**Note 9 RISK MANAGEMENT**

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

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

**Note 10 DEFINED BENEFIT PENSION PLAN**

**A. PLAN DESCRIPTION**

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

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

**B. BENEFITS PROVIDED**

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

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

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

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

**C. CONTRIBUTIONS**

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the GERF for the year ended December 31, 2021, were \$25,051. The District's contributions were equal to the required contributions as set by state statute.

**D. PENSION COSTS**

At December 31, 2021, the District reported a liability of \$192,710 for its proportionate share of GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 \$5,821. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0045% at the end of the measurement period and 0.0043% for the beginning of the period.

District's proportionate share of the net pension liability	\$192,170
State of Minnesota's proportionate share of the net pension liability associated with the District	5,821
Total	<u>\$197,991</u>

For the year ended December 31, 2021, the District recognized pension expense of \$27,875 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$470 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

At December 31, 2021, the District reported its proportionate share of the GERS' 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	\$1,207	\$5,881
Changes in actuarial assumptions	117,335	4,281
Difference between projected and actual investment earnings	-	166,840
Changes in proportion	31,525	-
Contributions paid to PERA subsequent to the measurement date	12,870	-
Total	<u>\$162,937</u>	<u>\$177,002</u>

The \$12,870 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, 2022. 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>
2022	\$10,435
2023	6,752
2024	1,271
2025	(45,393)
2026	-
Thereafter	-

**E. ACTUARIAL ASSUMPTIONS**

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.25% per year
Investment Rate of Return	6.50%

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 deemed to be reasonable by the actuary. An investment return of 6.50% was deemed to be within that range of reasonableness for financial reporting purposes.

Salary growth assumptions range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. Mortality rates were based on the Pub-2010 General Employee Mortality Table, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement are assumed to be 1.25% per year.



**NINE MILE CREEK WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

Actuarial assumptions for GERS are reviewed every four years. The most recent four-year experience study was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25%	0.75%
Private markets	25%	5.90%
Total	100%	

**F. DISCOUNT RATE**

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERS was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. PENSION LIABILITY SENSITIVITY**

The following presents the District's proportionate share of the net pension liability, 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 or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (5.5%)	Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
Proportionate share of the GERS net pension liability	\$391,929	\$192,170	\$28,256

## 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](http://www.mnpera.org).

### **Note 11 RECENTLY ISSUED ACCOUNTING STANDARDS**

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

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

**Statement No. 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**NINE MILE CREEK WATERSHED DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - 509 PLAN IMPLEMENTATION**  
For The Year Ended December 31, 2021  
With Comparative Totals For The Year Ended December 31, 2020

**Statement 6**

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
<b>Revenues:</b>					
General property taxes	\$2,600,000	\$2,600,000	\$2,585,713	(\$14,287)	\$2,694,400
Intergovernmental revenue	-	-	853,794	853,794	92,506
Investment income	-	-	2,906	2,906	56,455
Permit fees	-	-	67,100	67,100	43,990
Stormwater facilities	-	-	-	-	24,259
Reimbursements and miscellaneous	-	-	30,987	30,987	8,724
<b>Total revenues</b>	<b>2,600,000</b>	<b>2,600,000</b>	<b>3,540,500</b>	<b>940,500</b>	<b>2,920,334</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	850,750	850,750	755,807	94,943	759,283
Programs	1,415,500	1,603,500	1,335,814	267,686	1,097,265
Projects	1,690,000	1,769,752	1,125,373	644,379	682,365
<b>Capital outlay:</b>					
General government	-	-	-	-	255,880
Projects	-	-	111,920	(111,920)	-
<b>Total expenditures</b>	<b>3,956,250</b>	<b>4,224,002</b>	<b>3,328,914</b>	<b>895,088</b>	<b>2,794,793</b>
<b>Net change in fund balance</b>	<b>(\$1,356,250)</b>	<b>(\$1,624,002)</b>	<b>211,586</b>	<b>\$1,835,588</b>	<b>125,541</b>
Fund balance - January 1			8,937,241		8,811,700
Fund balance - December 31			<u>\$9,148,827</u>		<u>\$8,937,241</u>

See accompanying notes to the required supplementary information.

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

**Statement 7**

Measurement Date June 30	Fiscal Year Ending December 31	District's Proportionate (Percentage) of the Net Pension Liability	District's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with District (a+b)	Covered Payroll (c)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	0.0027%	\$139,928	\$ -	\$139,928	\$166,111	84.2%	78.2%
2016	2016	0.0034%	276,063	3,664	279,727	212,027	131.9%	68.9%
2017	2017	0.0031%	197,902	2,479	200,381	198,547	100.9%	75.9%
2018	2018	0.0033%	183,070	6,167	189,237	224,120	84.4%	79.5%
2019	2019	0.0038%	210,093	6,500	216,593	267,360	81.0%	80.2%
2020	2020	0.0043%	257,805	7,891	265,696	305,663	86.9%	79.1%
2021	2021	0.0045%	192,170	5,821	197,991	321,035	61.7%	87.0%

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

See accompanying notes to the required supplementary information.

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

**Statement 8**

Fiscal Year Ending December 31,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$14,119	\$14,119	\$ -	\$188,478	7.5%
2016	14,909	14,909	-	198,787	7.5%
2017	16,149	16,149	-	215,320	7.5%
2018	17,600	17,600	-	234,667	7.5%
2019	22,339	22,339	-	297,853	7.5%
2020	23,539	23,539	-	313,853	7.5%
2021	25,051	25,051	-	334,006	7.5%

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

See accompanying notes to the required supplementary information.

**NINE MILE CREEK WATERSHED DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO RSI**  
December 31, 2021

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**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**

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.

**NINE MILE CREEK WATERSHED DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO RSI**  
December 31, 2021

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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.

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.



**OTHER INFORMATION - UNAUDITED**

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

**For Taxes Payable in 2021**

Watershed	Estimated Market Value		
	Personal	Real	Total
1 Nine Mile Creek	\$102,165,600	\$22,741,420,600	\$22,843,586,200
2 Elm Creek WMO	181,664,200	15,542,059,000	15,723,723,200
3 Lower MN River	690,239,700	4,122,369,900	4,812,609,600
4 Minnehaha Creek	312,893,336	56,933,423,100	57,246,316,436
5 Riley Purgatory	108,003,500	12,284,736,400	12,392,739,900
6 Rice Creek	863,700	193,771,000	194,634,700
7 Middle Mississippi	241,145,300	36,965,801,600	37,206,946,900
8 Bassett Creek	118,246,500	16,404,444,600	16,522,691,100
9 Shingle Creek	113,397,000	16,145,668,200	16,259,065,200
10 West Mississippi WMO	59,716,600	8,059,660,700	8,119,377,300
County total	<u>\$1,928,335,436</u>	<u>\$189,393,355,100</u>	<u>\$191,321,690,536</u>

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

**Proposed For Taxes Payable in 2022**

Watershed	Estimated Market Value		
	Personal	Real	Total
1 Nine Mile Creek	\$38,173,100	\$23,529,893,300	\$23,568,066,400
2 Elm Creek WMO	149,507,400	16,831,259,300	16,980,766,700
3 Lower MN River	562,235,400	4,279,191,400	4,841,426,800
4 Minnehaha Creek	156,174,800	59,476,750,000	59,632,924,800
5 Riley Purgatory	65,582,700	12,792,456,400	12,858,039,100
6 Rice Creek	1,004,700	210,548,000	211,552,700
7 Middle Mississippi	228,024,500	37,879,250,000	38,107,274,500
8 Bassett Creek	76,734,100	17,181,948,300	17,258,682,400
9 Shingle Creek	50,165,700	17,165,203,500	17,215,369,200
10 West Mississippi WMO	30,480,400	8,478,249,500	8,508,729,900
County total	<u>\$1,358,082,800</u>	<u>\$197,824,749,700</u>	<u>\$199,182,832,500</u>

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

Taxable Market Value			Referendum Market Value		
Personal	Real	Total	Personal	Real	Total
\$102,165,600	\$22,413,661,205	\$22,515,826,805	\$102,165,600	\$22,587,846,175	\$22,690,011,775
181,664,200	15,269,558,896	15,451,223,096	181,664,200	15,133,796,000	15,315,460,200
690,239,700	4,033,012,708	4,723,252,408	685,544,300	4,080,918,200	4,766,462,500
312,893,336	56,232,626,149	56,545,519,485	312,893,336	55,812,167,700	56,125,061,036
108,003,500	12,110,756,314	12,218,759,814	108,003,500	12,213,527,525	12,321,531,025
863,700	190,384,035	191,247,735	863,700	193,293,500	194,157,200
240,634,970	36,449,926,293	36,690,561,263	236,789,100	36,526,109,825	36,762,898,925
118,246,500	16,057,053,096	16,175,299,596	118,246,500	16,289,314,875	16,407,561,375
113,397,000	15,516,209,789	15,629,606,789	113,397,000	15,990,591,300	16,103,988,300
59,716,600	7,765,236,567	7,824,953,167	59,716,600	7,925,236,450	7,984,953,050
<u>\$1,927,825,106</u>	<u>\$186,038,425,052</u>	<u>\$187,966,250,158</u>	<u>\$1,919,283,836</u>	<u>\$186,752,801,550</u>	<u>\$188,672,085,386</u>

Taxable Market Value			Referendum Market Value		
Personal	Real	Total	Personal	Real	Total
\$38,173,100	\$23,234,410,531	\$23,272,583,631	\$38,173,100	\$23,375,361,325	\$23,413,534,425
149,507,400	16,588,971,337	16,738,478,737	149,507,400	16,419,390,350	16,568,897,750
562,235,400	4,198,401,425	4,760,636,825	557,540,000	4,235,750,400	4,793,290,400
156,174,800	58,846,473,094	59,002,647,894	156,174,800	58,309,865,975	58,466,040,775
65,582,700	12,638,696,688	12,704,279,388	65,582,700	12,716,509,725	12,782,092,425
1,004,700	208,163,825	209,168,525	1,004,700	210,098,000	211,102,700
227,981,828	37,401,203,139	37,629,184,967	223,519,400	37,419,800,400	37,643,319,800
76,734,100	16,869,021,984	16,945,756,084	76,734,100	17,061,147,475	17,137,881,575
50,165,700	16,580,727,162	16,630,892,862	50,165,700	16,977,241,925	17,027,407,625
30,480,400	8,202,998,974	8,233,479,374	30,480,400	8,332,950,550	8,363,430,950
<u>\$1,358,040,128</u>	<u>\$194,769,068,159</u>	<u>\$196,127,108,287</u>	<u>\$1,348,882,300</u>	<u>\$195,058,116,125</u>	<u>\$196,406,998,425</u>

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## **OTHER REQUIRED REPORTS**

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## 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, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Nine Mile Creek Watershed District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nine Mile Creek Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Nine Mile Creek Watershed District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 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, Ltd.*  
REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

February 24, 2022

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## 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, 2021, and the related notes to the financial statements, which collectively comprise Nine Mile Creek Watershed District's basic financial statements, and have issued our report thereon dated February 24, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that Nine Mile Creek Watershed District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to 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 Nine Mile Creek Watershed District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

February 24, 2022

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