

**NINE MILE CREEK
WATERSHED DISTRICT**

ANNUAL FINANCIAL REPORT

December 31, 2023

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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, 2023

	<u>Term Expires</u>
Board of Managers:	
Bob Cutshall, President	September 2024
Larry Olson, Vice President	September 2025
Grace Butler, Secretary	September 2025
Peggy Kvam, Treasurer	September 2026
Chris-Ann Lauria	September 2026
District Administrator:	
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 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, 2023, 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, 2023, 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 2022 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 2, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 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 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 20, 2024

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BASIC FINANCIAL STATEMENTS

NINE MILE CREEK WATERSHED DISTRICT
STATEMENT OF NET POSITION
December 31, 2023
With Comparative Totals For December 31, 2022

Statement 1

	Governmental Activities	
	2023	2022
Assets:		
Cash and investments	\$10,452,631	\$9,732,376
Prepaid expenses	50,127	43,156
Due from other governments	73,693	616,441
Property taxes receivable:		
Delinquent	105,423	62,387
Due from county	14,769	13,205
Capital assets - net:		
Depreciable	1,796,933	1,890,277
Nondepreciable	614,813	614,813
Total assets	<u>13,108,389</u>	<u>12,972,655</u>
Deferred outflows of resources:		
Related to pensions	<u>127,827</u>	<u>154,556</u>
Liabilities:		
Accounts payable	176,729	129,108
Due to other governments	10,357	13,132
Contracts payable	14,190	35,557
Deposits payable	1,615,100	1,723,100
Salaries payable	6,540	7,234
Unearned revenue	50,791	-
Compensated absences payable:		
Due within one year	17,581	35,770
Due in more than one year	7,832	15,933
Net pension liability:		
Due in more than one year	313,146	403,922
Total liabilities	<u>2,212,266</u>	<u>2,363,756</u>
Deferred inflows of resources:		
Related to pensions	<u>102,143</u>	<u>6,077</u>
Net position:		
Investments in capital assets	2,411,746	2,505,090
Unrestricted	8,510,061	8,252,288
Total net position	<u>\$10,921,807</u>	<u>\$10,757,378</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, 2023

With Comparative Totals For The Year Ended December 31, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Primary Government Totals</u>		
		<u>Charges For Services</u>	<u>Operating</u>	<u>Capital</u>	<u>2023</u>	<u>2022</u>
			<u>Grants and Contributions</u>	<u>Grants and Contributions</u>		
Primary government:						
Governmental activities:						
General government	\$1,266,127	\$47,570	\$38	\$ -	(\$1,218,519)	(\$1,027,048)
Programs	1,597,149	-	-	-	(1,597,149)	(1,256,749)
Projects	606,038	-	379,013	-	(227,025)	(1,170,083)
Total governmental activities	<u>\$3,469,314</u>	<u>\$47,570</u>	<u>\$379,051</u>	<u>\$0</u>	<u>(3,042,693)</u>	<u>(3,453,880)</u>
General revenues:						
Property taxes					2,761,288	2,534,701
Miscellaneous					1,252	13,974
Unrestricted investment earnings					444,582	110,214
Total general revenues					<u>3,207,122</u>	<u>2,658,889</u>
Change in net position					164,429	(794,991)
Net position - January 1					<u>10,757,378</u>	<u>11,552,369</u>
Net position - December 31					<u>\$10,921,807</u>	<u>\$10,757,378</u>

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

NINE MILE CREEK WATERSHED DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023
With Comparative Totals For December 31, 2022

Statement 3

	509 Plan Implementation	
	2023	2022
Assets:		
Cash and investments	\$10,452,631	\$9,732,376
Prepaid expenses	50,127	43,156
Due from other governments	73,693	616,441
Taxes receivable:		
Delinquent	105,423	62,387
Due from county	14,769	13,205
Total assets	<u>\$10,696,643</u>	<u>\$10,467,565</u>
Liabilities:		
Accounts payable	\$176,729	\$129,108
Due to other governments	10,357	13,132
Contracts payable	14,190	35,557
Deposits payable	1,615,100	1,723,100
Salaries payable	6,540	7,234
Unearned revenue	50,791	-
Total liabilities	<u>1,873,707</u>	<u>1,908,131</u>
Deferred inflows of resources:		
Unavailable revenue	<u>105,423</u>	<u>62,387</u>
Fund balance:		
Nonspendable	50,127	43,156
Committed	6,460,143	6,733,081
Assigned	2,207,243	1,720,810
Total fund balance	<u>8,717,513</u>	<u>8,497,047</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$10,696,643</u>	<u>\$10,467,565</u>
Fund balance reported above	<u>\$8,717,513</u>	<u>\$8,497,047</u>
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	(25,413)	(51,703)
Net pension liability	(313,146)	(403,922)
Deferred outflows of resources related to pensions are not current financial resources and, therefore, are not reported in the funds		
	127,827	154,556
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		
	(102,143)	(6,077)
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds		
	2,411,746	2,505,090
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds		
	<u>105,423</u>	<u>62,387</u>
Net position of governmental activities (Statement 1)	<u>\$10,921,807</u>	<u>\$10,757,378</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, 2023
With Comparative Totals For The Year Ended December 31, 2022

Statement 4

	<u>509 Plan Implementation</u>	
	<u>2023</u>	<u>2022</u>
Revenues:		
General property taxes	\$2,718,252	\$2,561,477
Intergovernmental revenue	379,013	241,246
Investment income	444,582	110,214
Permit fees	47,570	49,400
Reimbursements and miscellaneous	1,252	13,974
Total revenues	<u>3,590,669</u>	<u>2,976,311</u>
Expenditures:		
Current:		
General government	1,155,076	924,343
Programs	1,592,597	1,285,442
Projects	605,582	1,378,782
Capital Outlay:		
General government	9,208	32,684
Programs	7,740	-
Projects	-	6,840
Total expenditures	<u>3,370,203</u>	<u>3,628,091</u>
Revenues over (under) expenditures	220,466	(651,780)
Fund balance - January 1	<u>8,497,047</u>	<u>9,148,827</u>
Fund balance - December 31	<u><u>\$8,717,513</u></u>	<u><u>\$8,497,047</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, 2023
With Comparative Totals For The Year Ended December 31, 2022

Statement 5

	<u>2023</u>	<u>2022</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)	\$220,466	(\$651,780)
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	43,036	(26,776)
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	16,948	39,524
Depreciation	(110,292)	(109,058)
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	26,290	2,307
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	40,532	
Pension expense	(72,551)	(49,208)
	<u>(32,019)</u>	<u>(49,208)</u>
Change in net position of governmental activities (Statement 2)	<u>\$164,429</u>	<u>(\$794,991)</u>

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

NINE MILE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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:

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 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.

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, 2022, 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, 2023

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, 2023, the carrying amount of the District's deposits with financial institutions was \$424,606 and the bank balance was \$459,855. 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.

As of December 31, 2023, 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>
Money market mutual fund	AAAm	\$227	\$227
US Treasury Bills	Not Rated	<u>10,027,798</u>	<u>10,027,798</u>
Total investments		<u><u>\$10,028,025</u></u>	<u>10,028,025</u>
Deposits			<u>424,606</u>
Total cash and investments			<u><u>\$10,452,631</u></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, 2023:

<u>Investment Type</u>	<u>12/31/2023</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value:				
US Treasury Bills	\$10,027,798	<u>\$10,027,798</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not categorized:				
Money market mutual fund	<u>227</u>			
	<u><u>\$10,028,025</u></u>			

NINE MILE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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, 2023.

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, 2023 are as follows:

<u>Major Fund</u>	<u>Property Taxes</u>
509 Implementation Fund	\$52,700

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	\$105,423

NINE MILE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 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	1,883,497	9,208	-	1,892,705
Land improvements - exhaustible	671,242	-	-	671,242
Furniture and equipment	188,789	7,740	-	196,529
Website redesign	19,016	-	-	19,016
Total capital assets being depreciated	<u>2,762,544</u>	<u>16,948</u>	<u>0</u>	<u>2,779,492</u>
Less accumulated depreciation for:				
Building	469,140	63,141	-	532,281
Land improvements - exhaustible	248,108	33,553	-	281,661
Furniture and equipment	136,003	13,598	-	149,601
Website redesign	19,016	-	-	19,016
Total accumulated depreciation	<u>872,267</u>	<u>110,292</u>	<u>0</u>	<u>982,559</u>
Total capital assets being depreciated - net	<u>1,890,277</u>	<u>(93,344)</u>	<u>0</u>	<u>1,796,933</u>
Governmental activities capital assets - net	<u>\$2,505,090</u>	<u>(\$93,344)</u>	<u>\$0</u>	<u>\$2,411,746</u>

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

Governmental activities:	
General government	\$105,284
Program	4,552
Project	456
Total depreciation expense	<u>\$110,292</u>

Note 6 COMMITMENTS AND CONTINGENCIES

At December 31, 2023, the District had a commitment of \$32,547 for uncompleted contract work on the Lynmar Basin Stormwater Retrofit 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, 2023

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 attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid 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.

Changes in compensated absences payable for the year ended December 31, 2023 are as follows:

	Balance 12/31/2022	Additions	Deletions*	Balance 12/31/2023	Due Within One Year
Compensated absences payable	\$51,703	\$ -	(\$26,290)	\$25,413	\$17,581

* The change in the compensated absences payable is presented as a net change.

It is not practicable to determine the specific year of payment of long-term accrued compensated absences.

Note 8 FUND BALANCE

At December 31, 2023, the District had the following fund balance classifications:

	<u>509 Plan Implementation</u>
Nonspendable	<u>\$50,127</u>
Committed to:	
509 plan implementation	<u>6,460,143</u>
Assigned to:	
509 plan implementation	<u>2,207,243</u>
Total	<u><u>\$8,717,513</u></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% for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% 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. 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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 2023 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, 2023, were \$40,532. The District's contributions were equal to the required contributions as set by state statute.

NINE MILE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

D. PENSION COSTS

At December 31, 2023, the District reported a liability of \$313,146 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 \$8,551.

The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The District’s proportionate share was 0.0056% at the end of the measurement period and 0.0051% for the beginning of the period.

District’s proportionate share of the net pension liability	\$313,146
State of Minnesota’s proportionate share of the net pension liability associated with the District	8,551
Total	<u><u>\$321,697</u></u>

For the year ended December 31, 2023, the District recognized pension expense of \$72,551 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$38 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the GERF.

At December 31, 2023, the District reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$10,284	\$2,254
Changes in actuarial assumptions	52,867	85,830
Difference between projected and actual investment earnings	-	14,059
Changes in proportion	41,786	-
Contributions paid to PERA subsequent to the measurement date	22,890	-
Total	<u><u>\$127,827</u></u>	<u><u>\$102,143</u></u>

NINE MILE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

The \$22,890 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, 2024. 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>
2024	\$27,261
2025	(31,153)
2026	13,480
2027	(6,794)
2028	-
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2023 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	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 deemed to be reasonable by the actuary. An investment return of 7.00% was deemed to be within that range of reasonableness for financial reporting purposes.

Benefit increases after retirement are assumed to be 1.25% for the GERP.

Salary growth assumptions range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates were based on the Pub-2010 General Employee Mortality Table, with slight adjustments to fit PERA's experience.

Actuarial assumptions for GERP are reviewed every four years. The most recent four-year experience study was completed in 2022. The assumption changes were adopted by the Board and become effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

Changes in Actuarial Assumptions:

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

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.

NINE MILE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

- 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.

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%	0.75%
Private markets	25.0%	5.90%
Total	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2023 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 GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Proportionate share of the GERF net pension liability	\$553,980	\$313,146	\$115,050

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 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. 99 *Omnibus 2022*. The provisions of this Statement contain multiple effective dates, the next implementation date being for fiscal years beginning after June 15, 2023.

Statement No. 100 *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The provisions of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 102 *Certain Risk Disclosures* – The provisions of this Statement are effective for reporting periods beginning after June 15, 2024.

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, 2023
With Comparative Totals For The Year Ended December 31, 2022

Statement 6

	Budgeted Amounts		2023 Actual Amounts	Variance with Final Budget - Positive (Negative)	2022 Actual Amounts
	Original	Final			
Revenues:					
General property taxes	\$2,800,000	\$2,800,000	\$2,718,252	(\$81,748)	\$2,561,477
Intergovernmental revenue	-	-	379,013	379,013	241,246
Investment income	-	-	444,582	444,582	110,214
Permit fees	-	-	47,570	47,570	49,400
Reimbursements and miscellaneous	-	-	1,252	1,252	13,974
Total revenues	<u>2,800,000</u>	<u>2,800,000</u>	<u>3,590,669</u>	<u>790,669</u>	<u>2,976,311</u>
Expenditures:					
Current:					
General government	1,108,500	1,188,500	1,155,076	33,424	924,343
Programs	1,795,500	1,715,500	1,592,597	122,903	1,285,442
Projects	1,690,000	985,000	605,582	379,418	1,378,782
Capital Outlay:					
General government	-	-	9,208	(9,208)	32,684
Programs	-	-	7,740	(7,740)	-
Projects	-	-	-	-	6,840
Total expenditures	<u>4,594,000</u>	<u>3,889,000</u>	<u>3,370,203</u>	<u>518,797</u>	<u>3,628,091</u>
Net change in fund balance	<u>(\$1,794,000)</u>	<u>(\$1,089,000)</u>	220,466	<u>\$1,309,466</u>	(651,780)
Fund balance - January 1			<u>8,497,047</u>		<u>9,148,827</u>
Fund balance - December 31			<u>\$8,717,513</u>		<u>\$8,497,047</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 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%
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%

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

NINE MILE CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
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%
2022	31,223	31,223	-	416,306	7.5%
2023	40,532	40,532	-	543,098	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, 2023

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

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.

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.

NINE MILE CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2023

2019 Changes in Actuarial Assumptions:

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

2019 Changes in the Plan Provisions:

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

2018 Changes in Actuarial Assumptions:

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

2017 Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- 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 2023

Watershed	Estimated Market Value		
	Personal	Real	Total
1 Nine Mile Creek	\$52,660,700	\$26,203,481,200	\$26,256,141,900
2 Elm Creek WMO	164,673,700	20,561,241,700	20,725,915,400
3 Lower MN River	580,946,800	4,909,114,000	5,490,060,800
4 Minnehaha Creek	180,307,500	67,410,123,100	67,590,430,600
5 Riley Purgatory	70,900,000	14,818,090,300	14,888,990,300
6 Rice Creek	823,600	232,124,200	232,947,800
7 Mississippi WMO	135,217,100	39,830,652,000	39,965,869,100
8 Bassett Creek	85,329,300	19,393,055,700	19,478,385,000
9 Shingle Creek	53,630,300	19,760,662,700	19,814,293,000
10 West Mississippi WMO	34,518,800	10,255,860,700	10,290,379,500
County total	<u>\$1,359,007,800</u>	<u>\$223,374,405,600</u>	<u>\$224,733,413,400</u>

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

Proposed For Taxes Payable in 2024

Watershed	Estimated Market Value		
	Personal	Real	Total
1 Nine Mile Creek	\$55,052,900	\$27,844,267,800	\$27,899,320,700
2 Elm Creek WMO	179,073,000	22,715,357,700	22,894,430,700
3 Lower MN River	646,585,600	5,169,927,500	5,816,513,100
4 Minnehaha Creek	194,107,800	71,872,482,800	72,066,590,600
5 Riley Purgatory	79,408,100	15,707,083,700	15,786,491,800
6 Rice Creek	1,213,500	244,856,000	246,069,500
7 Mississippi WMO	136,090,900	41,991,708,900	42,127,799,800
8 Bassett Creek	87,813,700	21,208,344,500	21,296,158,200
9 Shingle Creek	64,659,700	20,974,373,700	21,039,033,400
10 West Mississippi WMO	36,238,100	10,531,485,600	10,567,723,700
County total	<u>\$1,480,243,300</u>	<u>\$238,259,888,200</u>	<u>\$239,740,131,500</u>

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

Taxable Market Value			Referendum Market Value		
Personal	Real	Total	Personal	Real	Total
\$52,660,700	\$25,965,140,406	\$26,017,801,106	\$52,660,700	\$25,981,793,650	\$26,034,454,350
164,673,700	20,381,409,216	20,546,082,916	164,673,700	20,075,295,300	20,239,969,000
580,946,800	4,845,062,186	5,426,008,986	575,386,600	4,857,916,575	5,433,303,175
180,307,500	66,899,184,909	67,079,492,409	180,307,500	66,012,284,050	66,192,591,550
70,900,000	14,709,175,682	14,780,075,682	70,900,000	14,717,813,675	14,788,713,675
823,600	230,750,408	231,574,008	823,600	231,824,200	232,647,800
135,176,460	39,395,266,112	39,530,442,572	130,741,100	39,193,432,225	39,324,173,325
85,329,300	19,148,188,232	19,233,517,532	85,329,300	19,233,420,400	19,318,749,700
53,630,300	19,291,255,576	19,344,885,876	53,630,300	19,519,046,050	19,572,676,350
34,518,800	10,056,912,111	10,091,430,911	34,518,800	10,057,993,800	10,092,512,600
<u>\$1,358,967,160</u>	<u>\$220,922,344,838</u>	<u>\$222,281,311,998</u>	<u>\$1,348,971,600</u>	<u>\$219,880,819,925</u>	<u>\$221,229,791,525</u>

Taxable Market Value			Referendum Market Value		
Personal	Real	Total	Personal	Real	Total
\$55,052,900	\$27,621,511,322	\$27,676,564,222	\$55,052,900	\$27,590,737,350	\$27,645,790,250
179,073,000	22,548,604,437	22,727,677,437	179,073,000	22,226,130,800	22,405,203,800
646,585,600	5,109,002,614	5,755,588,214	641,025,400	5,120,375,050	5,761,400,450
194,107,800	71,399,027,837	71,593,135,637	194,107,800	70,366,686,000	70,560,793,800
79,408,100	15,606,386,924	15,685,795,024	79,408,100	15,600,600,025	15,680,008,125
1,213,500	243,853,182	245,066,682	1,213,500	244,556,000	245,769,500
136,050,260	41,582,061,038	41,718,111,298	131,474,200	41,252,934,900	41,384,409,100
87,813,700	20,977,041,127	21,064,854,827	87,813,700	21,026,764,550	21,114,578,250
64,659,700	20,510,779,587	20,575,439,287	64,659,700	20,713,092,575	20,777,752,275
36,238,100	10,346,320,303	10,382,558,403	36,238,100	10,352,362,400	10,388,600,500
<u>\$1,480,202,660</u>	<u>\$235,944,588,371</u>	<u>\$237,424,791,031</u>	<u>\$1,470,066,400</u>	<u>\$234,494,239,650</u>	<u>\$235,964,306,050</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, 2023, 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 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 20, 2024

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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, 2023, 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 20, 2024.

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, depositories of public funds and public 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, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

March 20, 2024

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