NINE MILE CREEK
WATERSHED DISTRICT

ANNUAL FINANCIAL REPORT

December 31, 2016

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INTRODUCTORY SECTION

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NINE MILE CREEK WATERSHED DISTRICT
ORGANIZATION
December 31, 2016

	Term Expires
Board of Managers:	
Vacant, Manager	September 29, 2017
Steve Kloiber, President	September 29, 2019
Jodi Peterson, Vice-President	September 29, 2017
Corrine Lynch, Secretary	September 29, 2017
Maressia Twele, Treasurer	September 29, 2018

District Administrator:

Randy Anhorn

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

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, 2016, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Nine Mile Creek Watershed District, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Nine Mile Creek Watershed District's 2015 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated March 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, the Schedule of Proportionate Share of Net Pension Liability and the Schedule of Pension Contribution on pages 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nine Mile Creek Watershed District's basic financial statements. The introductory and other information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

March 20, 2017

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BASIC FINANCIAL STATEMENTS

NINE MILE CREEK WATERSHED DISTRICT
STATEMENT OF NET POSITION **Statement 1**
December 31, 2016
With Comparative Totals For December 31, 2015

	Primary Government	
	Governmental Activities	
	2016	2015
Assets:		
Cash and investments	$8,465,717	$7,707,666
Prepaid expenses	10,283	4,370
Accrued interest	19,720	2,952
Property taxes receivable:		
Delinquent	144,970	108,650
Capital assets - net:		
Depreciable	2,154,946	2,238,731
Nondepreciable	519,315	507,110
Total assets	11,314,951	10,569,479
Deferred outflows of resources:		
Related to pensions	139,402	21,186
Liabilities:		
Accounts payable	176,387	107,849
Due to other governments	724	536
Contracts payable	-	31,769
Deposits payable	302,510	210,010
Salaries payable	-	5,402
Compensated absences payable:		
Due within one year	4,472	14,654
Due in more than one year	16,670	24,835
Net pension liability:		
Due in more than one year	276,063	139,928
Total liabilities	776,826	534,983
Deferred inflows of resources:		
Related to pensions	29,472	17,624
Net position:		
Net investments in capital assets	2,674,261	2,745,841
Unrestricted	7,973,794	7,292,217
Total net position	$10,648,055	$10,038,058

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, 2016 **Statement 2**
With Comparative Totals For The Year Ended December 31, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government Totals	
Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	2016	2015
Primary government:						
Governmental activities:						
General government	$852,523	$80,590	$1,092	$ -	($770,841)	($396,724)
Programs	828,220	-	-	-	(828,220)	(548,414)
Projects	275,398	-	624	-	(274,774)	(160,149)
Total governmental activities	$1,956,141	$80,590	$1,716	$0	(1,873,835)	(1,105,287)
General revenues:						
Property taxes					2,447,625	2,512,432
Miscellaneous					1,584	-
Unrestricted investment earnings					34,623	6,475
Total general revenues					2,483,832	2,518,907
Change in net position					609,997	1,413,620
Net position - January 1, as originally reported					10,038,058	8,759,672
Prior period adjustment					-	(135,234)
Net position - January 1, as restated					10,038,058	8,624,438
Net position - December 31					$10,648,055	$10,038,058

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

NINE MILE CREEK WATERSHED DISTRICT
BALANCE SHEET **Statement 3**
GOVERNMENTAL FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

	509 Plan Implementation	
	2016	2015
Assets:		
Cash and investments	$8,465,717	$7,707,666
Prepaid expenses	10,283	4,370
Accrued interest	19,720	2,952
Property taxes receivable:		
Delinquent	144,970	108,650
Total assets	$8,640,690	$7,823,638
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities:		
Accounts payable	$176,387	$107,849
Due to other governments	724	536
Contracts payable	-	31,769
Deposits payable	302,510	210,010
Salaries payable	-	5,402
Total liabilities	479,621	355,566
Deferred inflows of resources:		
Unavailable revenue	144,970	108,650
Fund balance:		
Nonspendable	10,283	4,370
Committed	7,249,256	6,709,376
Assigned	756,560	645,676
Total fund balance	8,016,099	7,359,422
Total liabilities, deferred inflows of resources, and fund balance	$8,640,690	$7,823,638
Fund balance reported above	$8,016,099	$7,359,422
Amounts reported for governmental activities 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	(21,142)	(39,489)
Net pension liability	(276,063)	(139,928)
Deferred outflow of resources-pension related are not current financial resources and, therefore, are not reported in the funds.	139,402	21,186
Deferred inflow of resources-pension related are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.	(29,472)	(17,624)
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	2,674,261	2,745,841
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	144,970	108,650
Net position of governmental activities	$10,648,055	$10,038,058

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, 2016
With Comparative Totals For The Year Ended December 31, 2015

Statement 4

	509 Plan Implementation	
	2016	2015
Revenues:		
General property taxes	$2,411,305	$2,429,162
Investment income	34,623	6,475
Miscellaneous	82,174	84,592
Reimbursements	624	50,224
Total revenues	2,528,726	2,570,453
Expenditures:		
Current:		
General government	745,804	397,083
Programs	819,626	547,087
Projects	275,398	210,373
Capital Outlay:		
General government	31,221	429,585
Programs	-	19,016
Total expenditures	1,872,049	1,603,144
Revenues over (under) expenditures	656,677	967,309
Fund balance - January 1	7,359,422	6,392,113
Fund balance - December 31	$8,016,099	$7,359,422

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

Statement 5

For The Year Ended December 31, 2016

With Comparative Totals For The Year Ended December 31, 2015

		2016	2015
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)		$656,677	$967,309
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:			
General property taxes unavailable revenue:			
At December 31, 2015		(108,650)	(25,380)
At December 31, 2016		144,970	108,650
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. This is the amount by which capital outlays exceeded depreciation in the current period:			
Capital outlay		31,221	448,601
Depreciation		(102,801)	(80,200)
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:			
Compensated absences		18,347	(4,228)
Governmental funds report pension contributions as expenditures, however pension expense is reported in the statement of activities. This is the amount by which pension expense exceeded pension contributions.			
Pension contributions	14,909		
Pension expense	(44,676)	(29,767)	(1,132)
Change in net position of governmental activities (Statement 2)		$609,997	$1,413,620

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

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

The District's policy is to include in the financial statements all funds, account groups, 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. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, 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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*. There are no business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

The District reports the following major governmental fund:

509 Plan Implementation (special revenue fund) – is established to account for the funds levied to pay for 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.

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

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.

The District prepares revenue and expenditure budgets for the 509 Plan Implementation Fund. 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 at 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) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the 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 509 Plan Implementation Fund does not maintain significant amounts of inventories of materials and supplies.

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, intangibles and infrastructure assets (e.g., storm water, manholes, control structures, and similar items) are reported in the governmental activities columns 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 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

GASB Statement No. 34 required the District to report and to depreciate new infrastructure assets effective with the beginning of the 2004 calendar year. Infrastructure assets include lake improvements, dams and drainage systems. Neither their historical cost nor related depreciation has historically been reported in the financial statements. For governmental entities with total annual revenues of less than $10 million for the fiscal year ended December 31, 1999 the retroactive reporting of infrastructure is not required under the provisions of GASB Statement No. 34.

The District did not acquire any infrastructure assets during 2016, nor did it have any infrastructure capital assets at December 31, 2016.

The District implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* effective January 1, 2010. GASB Statement No. 51 required the District to capitalize and amortize intangible assets. Intangible assets include easements and computer software. For governmental entities with total annual revenues of less than $10 million for the fiscal year ended December 31, 1999, the retroactive reporting of intangible assets is not required under the provision of GASB Statement No. 51. The District has elected not to report intangible assets acquired in years prior to 2011.

Property, plant and equipment of the District is 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 - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the 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. LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt is reported as a liability in the applicable governmental activities fund type statement of net position.

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. It is the pension related deferred outflows reported in the government-wide Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has pension related deferred inflows of resources reported in the government-wide Statement of Net Position. The government also has an item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from property taxes.

O. COMPARATIVE TOTALS

Certain 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, 2015, from which the summarized information was derived.

P. DEFERRED BENEFIT PENSION PLANS

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

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the Board of Managers, all of which 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.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

a) United States government treasury bills, treasury notes and treasury bonds;

b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;

c) General obligation securities of any state or local government with taxing powers which is rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;

d) General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation; and

f) Time deposits that are fully insured by any federal agency.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State Statutes require that insurance, surety bonds or collateral protect all District deposits. At December 31, 2016, the carrying amount of the District’s deposits with financial institutions was $2,532,319 and the bank balance was $2,569,283. 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

Minnesota Statutes authorize the District to invest in the following:

a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.

b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.

c) Obligations of the State of Minnesota or any of its municipalities as follows:
   1) any security which is a general obligation of any state or local government with taxing powers which is rated “A” or better by a national bond rating service;
   2) any security which is a revenue obligation of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service; and
   3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated “A” or better by a national bond rating agency.

d) Bankers acceptances of United States banks.

e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.

f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.

g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

As of December 31, 2016, the District had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (In Years) Less Than 1
Brokered certificate of deposits	NR	$5,933,398	$5,933,398
Total investments			5,933,398
Deposits			2,532,319
Total cash and investments			$8,465,717

NR- Not Rated

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, 2016:

Investment Type	12/31/2016	Fair Value Measurement Using Level 1	Level 2	Level 3
Investments at fair value:				
Brokered Certificates of Deposit	$5,933,398	$ -	$5,933,398	$ -

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 in regards 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.

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 in the amount of $5,933,398 include $500,000 that is insured through SIPC. The broker-dealer has provided additional protection by providing additional insurance. This insurance is subject to aggregate limits applied to all of the broker-dealer's accounts.

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2016 are as follows:

	509 Plan Implementation
Delinquent property taxes	$144,970

Note 4 UNAVAILABLE REVENUES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

Major Fund	Property Taxes
509 Implementation Fund	$144,970

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$429,918	$ -	$ -	$429,918
Land improvements - inexhaustible	48,702	14,799	-	63,501
Intangible assets	9,474	-	-	9,474
Construction-in-process	19,016	16,422	(19,016)	16,422
Total capital assets not being depreciated	507,110	31,221	(19,016)	519,315
Capital assets, being depreciated:				
Building	1,608,324	-	-	1,608,324
Land improvements - exhaustible	636,100	-	-	636,100
Furniture and equipment	99,021	-	-	99,021
Website redesign	-	19,016	-	19,016
Total capital assets being depreciated	2,343,445	19,016	0	2,362,461
Less accumulated depreciation for:				
Building	74,756	53,611	-	128,367
Land improvements - exhaustible	18,524	31,210	-	49,734
Furniture and equipment	11,434	14,177	-	25,611
Website redesign	-	3,803	-	3,803
Total accumulated depreciation	104,714	102,801	0	207,515
Total capital assets being depreciated - net	2,238,731	(83,785)	-	2,154,946
Governmental activities capital assets - net	$2,745,841	($52,564)	($19,016)	$2,674,261

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

Governmental activities:	
General government	$98,998
Program	3,803
Total depreciation expense	$102,801

Note 6 COMMITMENTS AND CONTINGENCIES

The District had no committed contracts as of December 31, 2016.

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

Note 7 COMPENSATED ABSENCES

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. In accordance with the provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences,* no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Changes in general long-term liabilities for the year ended December 31, 2016 is as follows:

	Balance 12/31/15	Additions	Deletions	Balance 12/31/16	Due Within One Year
Governmental activities:					
Compensated payable	$39,489	$22,923	($41,270)	$21,142	$4,472

It is not practicable to determine 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, 2016, the District had the following fund balance classifications:

	509 Plan Implementation
Nonspendable	$10,283
Committed to:	
509 plan implementation	7,249,256
Assigned to:	
509 plan implementation	756,560
Total	$8,016,099

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 PLANS

A. PLAN DESCRIPTION

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the District are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year 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.

C. CONTRIBUTIONS

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2016. The District was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The District's contributions to the GERF for the year ended December 31, 2016, were $14,909. The District's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

GERF Pension Costs

At December 31, 2016, the District reported a liability of $276,063 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2016. 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 $3,664. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportion was .0034%, which was a increase of .0007% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the District recognized pension expense of $44,676 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $1,092 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF.

At December 31, 2016, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$22,426
Changes in actuarial assumptions	54,053	-
Difference between projected and actual investment earnings	52,398	-
Changes in proportion	26,004	7,046
Contributions paid to PERA subsequent to the measurement date	6,947	-
Total	$139,402	$29,472

$6,947 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2017	$28,843
2018	28,845
2019	35,323
2020	9,972
2021	-
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be one percent per year in all future years.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in GERF was completed in 2015.

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

- The assumed post-retirement benefit increase rates 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.

The long-term expected rate of return on pension plan investments is 7.5%. 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 bestestimate 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 Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. 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 that assumptions, the fiduciary net position of the GERF Fund was projected to be available to make all projected future benefit payments of current plan members of the GERF. Therefore, the long-term expected rate of return on pension plan investment 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 for all plans it participates in, 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the GERF net pension liability	$392,091	$276,063	$180,487

H. PENSION LIABILITY SENSITIVITY

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

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. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

Statement No. 80 *Blending Requirements for Certain Component Units.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81 *Irrevocable Split-Interest Agreements.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2016.

Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Statement No. 83 *Certain Asset Retirement Obligations.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84 *Fiduciary Activities.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

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

Note 12 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2015 the Watershed implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.* GASB Statement No. 68 addresses accounting and financial reporting for pension plans that are provided to employees of state and local governments. The standard requires the Watershed to record its share of the net pension liability of defined benefit plans, as well as any corresponding deferred inflows and outflows of resources. See Note 10 for further information.

This standard required retroactive implementation, which resulted in a restatement of net position as of December 31, 2014. Certain amounts necessary to fully restate calendar year 2014 financial information are not determinable, therefore, prior year comparative amounts are not presented. Details of the prior period adjustment are as follows:

	Governmental Activities
Net position - January 1, 2015, as previously reported	$8,759,672
Prior period adjustment:	
Deferred outflows of resources related to pensions	5,691
Net pension liability	(140,925)
Net position - January 1, 2015, as restated	$8,624,438

REQUIRED SUPPLEMENTARY INFORMATION

NINE MILE CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION **Statement 6**
BUDGETARY COMPARISON SCHEDULE - 509 PLAN IMPLEMENTATION
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
Revenues:					
General property taxes	$2,517,750	$2,517,750	$2,411,305	($106,445)	$2,429,162
Investment income	-	-	34,623	34,623	6,475
Miscellaneous	-	-	82,174	82,174	84,592
Reimbursement	-	-	624	624	50,224
Total revenues	2,517,750	2,517,750	2,528,726	10,976	2,570,453
Expenditures:					
Current:					
General government	620,500	620,500	745,804	(125,304)	397,083
Programs	872,250	872,250	819,626	52,624	547,087
Projects	1,350,000	1,350,000	275,398	1,074,602	210,373
Capital outlay:					
General government	-	-	31,221	(31,221)	429,585
Programs	-	-	-	-	19,016
Total expenditures	2,842,750	2,842,750	1,872,049	970,701	1,603,144
Net change in fund balance	($325,000)	($325,000)	656,677	($959,725)	967,309
Fund balance - January 1			7,359,422		6,392,113
Fund balance - December 31			$8,016,099		$7,359,422

NINE MILE CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION **Statement 7**
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY* -
GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2016

Measurement Date	Fiscal Year Ending	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
June 30, 2015	December 31, 2015	0.0027%	$139,928	$ -	$139,928	$166,111	84.2%	78.2%
June 30, 2016	December 31, 2016	0.0034%	276,063	3,664	279,727	212,027	131.9%	68.9%

* 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 **Statement 8**
SCHEDULE OF PENSION CONTRIBUTIONS* - GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2016

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2015	$14,119	$14,119	$0	$188,478	7.5%
December 31, 2016	14,909	14,909	-	198,787	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.

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

2016 Changes
Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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OTHER INFORMATION - UNAUDITED

NINE MILE CREEK WATERSHED DISTRICT
MARKET VALUES BY WATERSHED - UNAUDITED

For Taxes Payable in 2016

Watershed	Estimated Market Value Personal	Real	Total
1 Nine Mile Creek	$88,760,200	$17,810,609,900	$17,899,370,100
2 Lower MN River	485,430,600	3,063,837,400	3,549,268,000
3 Minnehaha Creek	233,506,000	42,543,034,100	42,776,540,100
4 Riley Purgatory	86,473,200	10,027,172,500	10,113,645,700
5 Rice Creek	887,900	149,475,000	150,362,900
6 Middle Mississippi	158,629,000	23,964,263,400	24,122,892,400
7 Bassett Creek	81,515,100	12,078,223,600	12,159,738,700
8 Shingle Creek	85,742,400	11,081,842,300	11,167,584,700
9 West Mississippi WMO	1,895,600	5,357,172,100	5,359,067,700
County total	$1,222,840,000	$126,075,630,300	$127,298,470,300

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

Proposed For Taxes Payable in 2017

Watershed	Estimated Market Value Personal	Real	Total
1 Nine Mile Creek	$91,772,400	$18,713,892,700	$18,805,665,100
2 Lower MN River	489,223,500	3,246,329,900	3,735,553,400
3 Minnehaha Creek	249,304,100	45,328,426,400	45,577,730,500
4 Riley Purgatory	93,221,300	10,294,202,400	10,387,423,700
5 Rice Creek	1,000,300	151,262,100	152,262,400
6 Middle Mississippi	203,924,500	26,582,446,300	26,786,370,800
7 Bassett Creek	150,938,900	12,840,258,600	12,991,197,500
8 Shingle Creek	91,670,801	11,855,291,000	11,946,961,801
9 West Mississippi WMO	1,964,800	5,753,219,500	5,755,184,300
County total	$1,373,020,601	$134,765,328,900	$136,138,349,501

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

Exhibit 1

Taxable Market Value			Referendum Market Value		
Personal	Real	Total	Personal	Real	Total
$88,760,200	$17,366,031,804	$17,454,792,004	$88,760,200	$17,726,850,804	$17,815,611,004
485,430,600	2,941,108,315	3,426,538,915	485,430,600	2,941,108,315	3,426,538,915
233,506,000	41,498,797,923	41,732,303,923	233,506,000	41,611,473,750	41,844,979,750
86,473,200	9,784,727,433	9,871,200,633	86,473,200	9,972,002,700	10,058,475,900
887,900	142,262,241	143,150,141	887,900	148,025,000	148,912,900
157,909,434	23,247,500,250	23,405,409,684	156,687,800	23,734,580,323	23,891,268,123
81,515,100	11,609,830,898	11,691,345,998	81,515,100	11,973,012,900	12,054,528,000
85,742,400	10,287,605,911	10,373,348,311	85,742,400	10,965,374,630	11,051,117,030
1,895,600	4,967,025,313	4,968,920,913	1,895,600	5,259,950,300	5,261,845,900
$1,222,120,434	$121,844,890,088	$123,067,010,522	$1,220,898,800	$124,332,378,722	$125,553,277,522

Taxable Market Value			Referendum Market Value		
Personal	Real	Total	Personal	Real	Total
$91,772,400	$18,290,129,351	$18,381,901,751	$91,772,400	$18,624,943,729	$18,716,716,129
489,223,500	3,127,859,051	3,617,082,551	489,223,500	3,203,143,125	3,692,366,625
249,304,100	44,370,019,097	44,619,323,197	249,304,100	44,296,444,775	44,545,748,875
93,221,300	1,061,121,993	1,154,343,293	93,221,300	10,236,834,675	10,330,055,975
1,000,300	144,164,456	145,164,756	1,000,300	149,815,100	150,815,400
203,223,235	25,919,700,895	26,122,924,130	203,924,500	26,319,638,925	26,523,563,425
150,938,900	12,390,169,417	12,541,108,317	150,938,900	12,732,630,725	12,883,569,625
91,670,801	11,085,839,423	11,177,510,224	91,670,801	11,725,849,005	11,817,519,806
1,964,800	5,379,035,190	5,380,999,990	1,964,800	5,639,985,550	5,641,950,350
$1,372,319,336	$121,768,038,873	$123,140,358,209	$1,373,020,601	$132,929,285,609	$134,302,306,210

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OTHER REQUIRED REPORTS

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REPORT ON INTERNAL CONTROL

To the Honorable Managers and Management of the
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, 2016, 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 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 management, Nine Mile Creek Watershed District's Board and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

March 20, 2017

4810 White Bear Parkway, St. Paul, MN, 55110 651.426.7000 www.redpathcpas.com

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MINNESOTA LEGAL COMPLIANCE REPORT

To the Honorable Managers of the
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, 2016 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, 2017.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except we did not test for compliance with the provisions for tax increment financing because it is not applicable to Nine Mile Creek Watershed District.

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 *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. 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 the Nine Mile Creek Watershed District's noncompliance with the above referenced provisions.

This report is 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

March 20, 2017

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