

MINNEHAHA CREEK WATERSHED DISTRICT

ANNUAL FINANCIAL REPORT

December 31, 2023

- This page intentionally left blank -

MINNEHAHA CREEK WATERSHED DISTRICT
TABLE OF CONTENTS

	<u>Ref No.</u>	<u>Page No.</u>
INTRODUCTORY SECTION		
Organization		3
FINANCIAL SECTION		
Independent Auditor's Report		7
Management's Discussion and Analysis		11
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	Statement 1	22
Statement of Activities	Statement 2	23
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Statement 3	24
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	Statement 4	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	Statement 5	26
Notes to Financial Statements		27
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule - Management Planning Fund	Statement 6	44
Schedule of Proportionate Share of Net Pension Liability - General Employees Retirement Fund	Statement 7	45
Schedule of Pension Contributions - General Employees Retirement Fund	Statement 8	46
Notes to RSI		47
SUPPLEMENTARY FINANCIAL INFORMATION		
Management Planning Fund:		
Schedule of Revenues and Expenditures by Program/Project	Exhibit 1	50
OTHER INFORMATION SECTION - UNAUDITED		
Market Values by Watershed	Exhibit 2	58
Schedule of Expenditures - Land Conservation and Cold Storage	Exhibit 3	60
OTHER REQUIRED REPORTS		
Report on Internal Control		65
Minnesota Legal Compliance Report		67

- This page intentionally left blank -

INTRODUCTORY SECTION

- This page intentionally left blank -

MINNEHAHA CREEK WATERSHED DISTRICT
ORGANIZATION
December 31, 2023

Board of Managers:	<u>Term Expires</u>
Sherry Davis White - President	March, 2027
Bill Olson - Vice President	March, 2025
Jessica Loftus - Treasurer	March, 2026
Eugene Maxwell - Secretary	March, 2025
Steve Sando	March, 2027
Richard Miller	March, 2026
Arun Hejmadi	March, 2025

- This page intentionally left blank -

FINANCIAL SECTION

- This page intentionally left blank -



INDEPENDENT AUDITOR'S REPORT

To the Board of Managers
Minnehaha Creek Watershed District
Minnetonka, 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 Minnehaha Creek Watershed District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Minnehaha 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 Minnehaha 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 Minnehaha 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 Minnehaha Creek Watershed'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 April 19, 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 Minnehaha 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 Minnehaha 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 Minnehaha 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 management's discussion and analysis, the budgetary comparison schedule, and the schedules of pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Minnehaha Creek Watershed District's basic financial statements. The accompanying schedule of revenues and expenditures by program/project is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures by program/project is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

April 22, 2024

- This page intentionally left blank -

Management’s Discussion and Analysis

As management of the Minnehaha Creek Watershed District, Minnesota, (the MCWD or District), we offer readers of the MCWD’s financial statements this narrative overview and analysis of the financial activities of the MCWD for the fiscal year ended December 31, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the MCWD exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$48,613,769 (net position). Of this amount, \$20,019,366 unrestricted (net position) may be used to meet MCWD’s ongoing obligations.
- There was an increase in the MCWD’s total net position of \$5,574,360. This is due to the increase in cash of \$1,340,165 held for on-going and/or delayed projects and an increase in unrestricted investment earnings of \$492,484. The District saw a decrease of \$3,914,197 in outstanding debt due to scheduled payments. This debt service decrease included a payment of \$3,028,047 to Wells Fargo paying in full the loan for the 325 Blake Road property.
- As of the close of the current fiscal year, the District’s governmental fund reported an ending fund balance of \$23,291,801, an increase of \$706,768 in comparison with the prior year. Approximately 79% of this total amount, up 4% over last year, or \$18,387,445, is assigned by management to show the intent of the funds but is also available for spending at the District’s discretion. Just under 21% or \$4,875,549 is committed for unspent property taxes, and .1%, or \$28,807 of this total amount is non-spendable for prepaid items.
- At the end of the current fiscal year, the assigned fund balance for the Management Planning fund was \$18,387,445, which is 170.4% of the 2023 total fund expenditures or 126.9% of next year’s Management Planning fund budget.
- The MCWD’s total noncurrent long-term liabilities decreased \$3,914,197 during the current fiscal year. The decrease is attributed to the reduction of scheduled debt payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the MCWD’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplemental information in addition to the basic financial statements themselves.

Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combined and individual fund financial statements and schedules that provide details about non-major governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1
Required Components of the
MCWD’s Annual Financial Report**

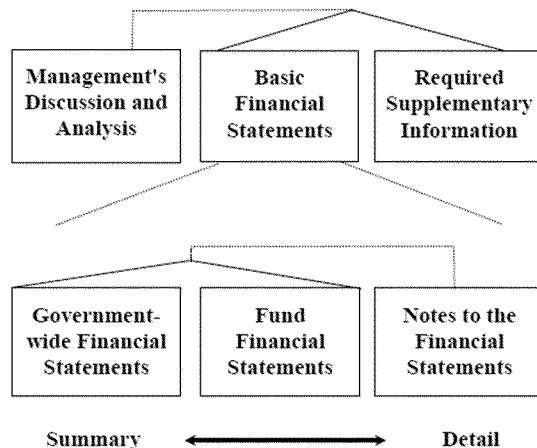


Figure 2 summarizes the major features of the MCWD’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds
Scope	Entire MCWD government	Entire MCWD government
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be fully used and liabilities that come due during the year or soon thereafter; no capital assets included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be fully used and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow of information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the MCWD that are principally supported by taxes and charges for services (*governmental activities*). The governmental activities of the MCWD include general government, programs, projects, and interest on long-term debt.

The government-wide financial statements can be found on Statements 1 and 2 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The MCWD, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The MCWD maintains only one governmental fund. This information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the Management Planning fund.

The District adopts an annual appropriated budget for its Management Planning fund. A budgetary comparison statement has been provided for the Management Planning fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Statements 3 through 5 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following Statement 5 of this report.

Required Supplementary Information. Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule (Statement 6), the Schedule of Proportionate Share of Net Pension Liability (Statement 7), the Schedule of Pension Contributions (Statement 8) and the notes to the required supplementary information 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the MCWD, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$48,613,769 at the close of the most recent fiscal year.

The largest part of the District's net position (58.8%) is the investment in capital assets. The investment in capital assets (e.g., land, easements, buildings, machinery and equipment) is reduced by any related debt used to acquire those assets that is still outstanding to arrive at capital assets net of related debt. The MCWD uses these capital assets to provide services throughout the watershed district; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MCWD's Summary of Net Position

	Governmental Activities		
	2023	2022	Increase (Decrease)
Assets			
Current and other assets	\$ 26,722,338	\$ 25,552,078	\$ 1,170,260
Capital assets	37,099,799	36,325,564	774,235
Total Assets	<u>63,822,137</u>	<u>61,877,642</u>	<u>1,944,495</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	309,719	524,312	(214,593)
Liabilities			
Noncurrent liabilities outstanding	9,698,344	11,115,334	(1,416,990)
Other liabilities	5,133,894	7,867,210	(2,733,316)
Total Liabilities	<u>14,832,238</u>	<u>18,982,544</u>	<u>(4,150,306)</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions and debt refundings	685,849	380,001	305,848
Net Position			
Net investment in capital assets	28,594,403	23,960,019	4,634,384
Unrestricted	20,019,366	19,079,390	939,976
Total Net Position	<u>\$ 48,613,769</u>	<u>\$ 43,039,409</u>	<u>\$ 5,574,360</u>

The remaining balance of *unrestricted net position* (\$20,019,366) may be used to meet the District's ongoing obligations.

At the end of the current fiscal year, the MCWD is able to report positive balances in both categories of net position.

Governmental Activities. Governmental activities increased in the District’s net position by \$5,574,360. Key elements of the changes are as follows:

MCWD’s Changes in Net Position

	Governmental Activities		
	2023	2022	Increase (Decrease)
Revenues			
Program Revenues			
Charges for services	\$ 82,677	\$ 83,978	\$ (1,301)
Operating grants and contributions	265,790	250,029	15,761
Capital grants and contributions	17,566	303,459	(285,893)
General Revenues			
Taxes	9,864,463	9,644,359	220,104
Intergovernmental revenues not restricted to specific programs	616	1,411	(795)
Interest and investment income	561,725	69,241	492,484
Miscellaneous	238,240	110,228	128,012
Total Revenues	<u>11,031,077</u>	<u>10,462,705</u>	<u>568,372</u>
Expenses			
General government	3,207,696	3,273,565	(65,869)
Programs	904,256	1,117,812	(213,556)
Projects	1,109,860	1,802,712	(692,852)
Interest on long-term debt	234,905	328,857	(93,952)
Total Expenses	<u>5,456,717</u>	<u>6,522,946</u>	<u>(1,066,229)</u>
Change in Net Position	5,574,360	3,939,759	1,634,601
Net Position, January 1	<u>43,039,409</u>	<u>39,099,650</u>	<u>3,939,759</u>
Net Position, December 31	<u>\$ 48,613,769</u>	<u>\$ 43,039,409</u>	<u>\$ 5,574,360</u>

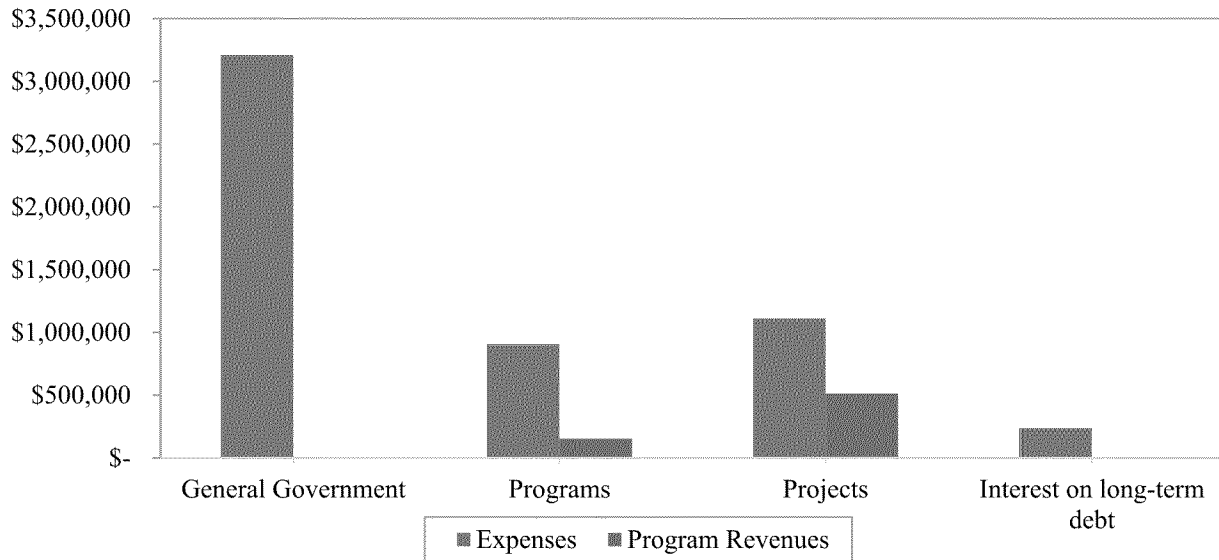
On the revenues side there were decreases in both operating and capital grants year-over-year. Most significantly, last year’s capital grants allowed for reclassification of \$260,000 in expenses for the 325 Blake Road project. For 2023 there were no reclassifications. Interest and investment income continued its upward climb and rates have now exceeded even pre-pandemic levels.

Regarding expenses, the MCWD plans and implements its large-scale capital projects on an approximate five-year timeline, which creates dynamic levy and expenditure cycles. By planning over time the levy for projected capital expenditures can be flattened to stabilize the annual levy and avoid substantial one-time increases. Planning in this manner creates income and expenditure cycles whereby capital projects take multiple years to develop prior to large construction expenses, which remain the bulk of the MCWD project costs. This cycle can and often does impact project expenses year over year. Project expenditures in 2023 were largely for projects that are on-going, including 325 Blake Road, Cottageville Park and Northside Park (Lifetime). The 2022 expenditures included final expense closeouts for several projects which resulted in decrease expenses year-over-year.

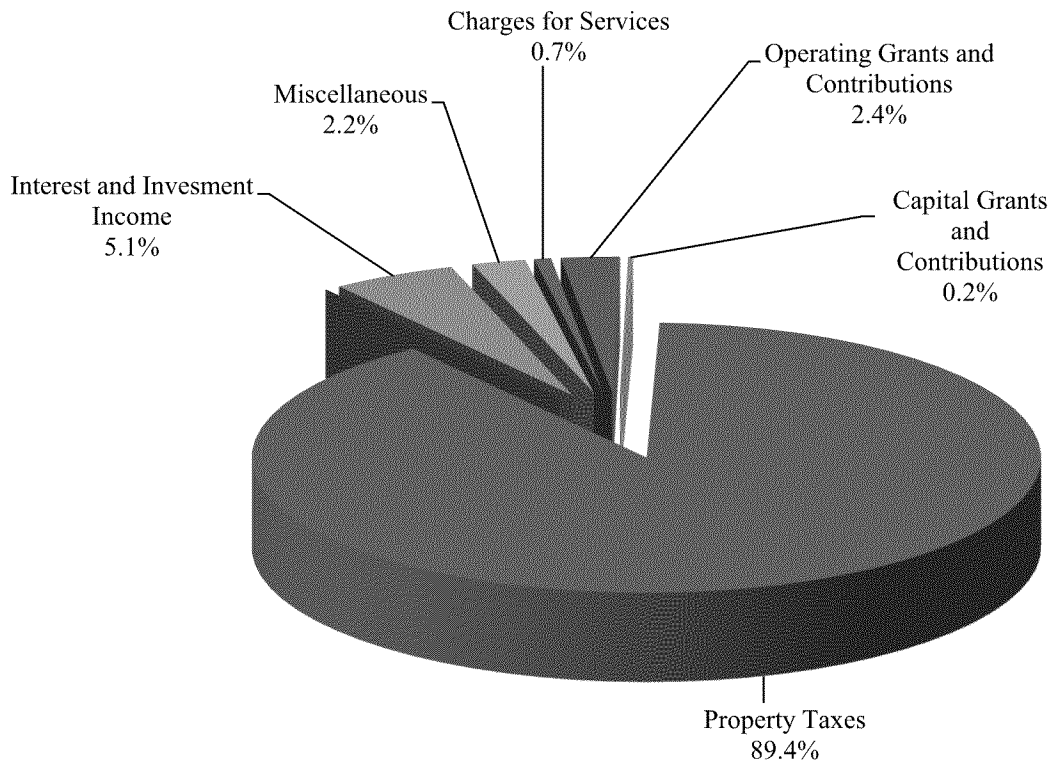
General government and program expenses both decreased from the prior year. In 2022 there was a larger planned expenditure relating to the 2D model build as well as changes in PERA funding calculations. Those were not applicable in 2023 thereby lowering overall expenditures in these categories. Staffing fluctuations throughout 2023 also contributed towards overall lower expenditures in 2023.

The following graph depicts various governmental activities and shows the program revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the MCWD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The *Management Planning fund* is the operating fund for the MCWD. At the end of the current year, the fund balance of the Management Planning fund was \$23,291,801. The District's Management Planning fund balance increased \$706,768 during the current fiscal year. As a measure of the Management Planning fund's liquidity, it may be useful to compare assigned fund balance to total budgeted expenditures. Total assigned fund balance represents 170.4% of total 2023 expenditures.

Management Planning Fund Budgetary Highlights

The District's Management Planning fund budget reflects an overall fund balance decrease of \$4,988,292. The fund balance increased \$706,768 from the prior year, creating a positive variance to budget of \$5,695,060.

Overall, revenues exceeded budget by \$554,760. This is largely due to investment/interest income which exceeded budgeted amount by \$551,725 due to improved market conditions.

Expenditures overall were under budget by \$5,140,300, with \$3,121,021 in unspent project funds due to on-going or delayed work on capital projects, including the MCWD's Campus improvement project, 325 Blake Road Stormwater Management, and Cottageville Park.

District operations and personnel and programs were under budget by \$1,219,731 primarily due to position vacancies throughout the organization. Other factors positively impacting the Programs budget included Research & Monitoring's contracted services work on the 2D model build budgeted and scheduled for 2023 being delayed until 2024.

Capital Asset and Debt Administration

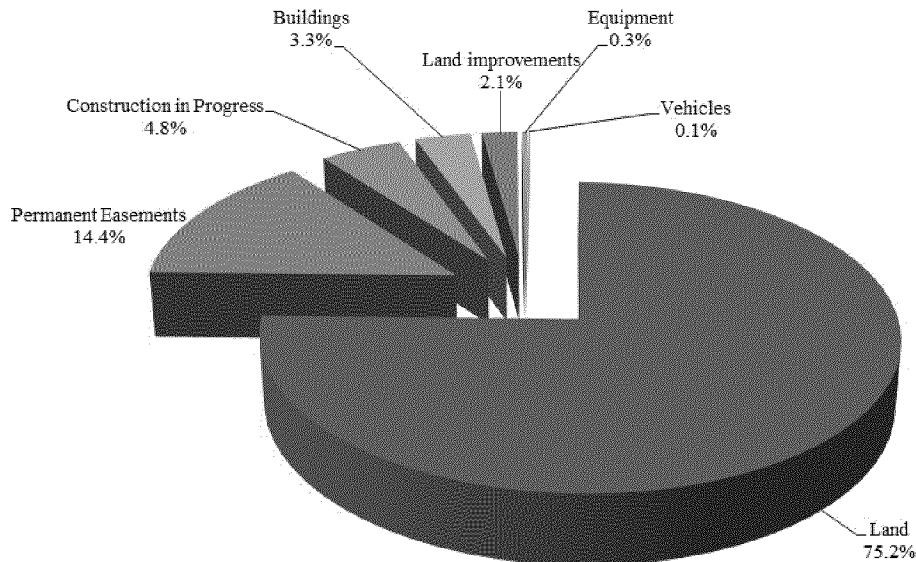
Capital Assets. The District’s investment in capital assets for its governmental fund as of December 31, 2023, amounts to \$37,099,799 (net of accumulated depreciation). This investment in capital assets includes land, permanent easements, construction in progress, buildings, land improvements, furniture, equipment, and vehicles.

Two capital asset projects were advanced and/or completed in fiscal year 2023 – the Six Mile Marsh Prairie Trail (completed) and the Minnehaha Preserve Boardwalk reconstruction (active construction). A total of \$1,839,437 were spent on these projects (\$170,204 and \$1,669,233 respectively).

Additional information on the MCWD’s capital assets can be found in Note 5 of this report.

**MCWD’s Capital Assets
(Net of Depreciation)**

	Governmental Activities		
	2023	2022	Increase (Decrease)
Land	\$ 27,887,121	\$ 27,887,121	\$ -
Permanent Easements	5,333,620	5,333,620	-
Construction in Progress	1,778,437	310,666	1,467,771
Buildings	1,215,986	1,278,483	(62,497)
Land improvements	761,277	1,304,065	(542,788)
Furniture	994	3,978	(2,984)
Equipment	95,758	158,991	(63,233)
Vehicles	26,606	48,640	(22,034)
Total	\$ 37,099,799	\$ 36,325,564	\$ 774,235



Long-term Debt. At the end of the current fiscal year, the MCWD had total debt outstanding of \$9,206,691. A portion of this is due to the District agreeing to service the debt of the City of Richfield for funds used to construct a storm water treatment facility.

MCWD's Outstanding Debt

	Governmental Activities		
	2023	2022	Increase (Decrease)
Bonds and notes payable	\$ 7,605,357	\$ 11,358,174	\$ (3,752,817)
Due to the City of Richfield	1,601,334	1,762,714	(161,380)
Total	\$ 9,206,691	\$ 13,120,888	\$ (3,914,197)

The MCWD's total debt decreased during the current fiscal year due to scheduled principal payments, as well as the final payment being made to Wells Fargo on the 325 Blake Road loan.

Additional information on the District's long-term debt can be found in Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

The MCWD has a comprehensive budgeting process which includes review by department heads and the MCWD Board of Managers. The District considers factors such as state and county grants, cost share grants with cities, and permit fees when reviewing revenues. Expenses are monitored based on any potential staffing, equipment, project, and program needs and changes in resources.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Administrator, Minnehaha Creek Watershed District, 15320 Minnetonka Blvd, Minnetonka, MN 55345.

- This page intentionally left blank -

BASIC FINANCIAL STATEMENTS

MINNEHAHA CREEK WATERSHED DISTRICT

STATEMENT OF NET POSITION

Statement 1

December 31, 2023

With Comparative Totals For December 31, 2022

	Governmental Activities	
	2023	2022
Assets:		
Cash and investments	\$26,254,778	\$24,914,613
Accounts receivable - net	-	2,279
Due from other governments	214,324	429,168
Prepaid items	28,807	57,872
Property taxes receivable:		
Delinquent	176,204	84,551
Due from county	48,225	63,595
Capital assets - net of accumulated depreciation:		
Nondepreciable	34,999,178	33,531,407
Depreciable	2,100,621	2,794,157
Total assets	<u>63,822,137</u>	<u>61,877,642</u>
Deferred outflows of resources related to pensions	<u>309,719</u>	<u>524,312</u>
Liabilities:		
Accounts payable	137,090	196,683
Salaries payable	75,294	79,304
Due to other governments	1,105,644	1,014,589
Contracts payable	82,840	18,113
Unearned revenue	949,158	290,331
Surety deposits payable	904,307	1,283,474
Accrued interest payable	24,367	54,662
Unamortized loan premiums	900,039	1,007,371
Compensated absences payable:		
Due within one year	16,653	8,486
Due in more than one year	216,715	197,916
Bonds and notes payable:		
Due within one year	779,822	3,752,817
Due in more than one year	6,825,535	7,605,357
Due to the City of Richfield:		
Due within one year	158,680	161,380
Due in more than one year	1,442,654	1,601,334
Net pension liability:		
Due in more than one year	1,213,440	1,710,727
Total liabilities	<u>14,832,238</u>	<u>18,982,544</u>
Deferred inflow of resources:		
Related to pensions	436,085	99,017
Related to debt refundings	249,764	280,984
Total deferred inflows of resources	<u>685,849</u>	<u>380,001</u>
Net position:		
Net investment in capital assets	28,594,403	23,960,019
Unrestricted	20,019,366	19,079,390
Total net position	<u>\$48,613,769</u>	<u>\$43,039,409</u>

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

MINNEHAHA CREEK WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2023
With Comparative Totals For the Year Ended December 31, 2022

Statement 2

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2023	2022
Primary government:						
Governmental activities:						
General government	\$3,207,696	\$ -	\$150	\$ -	(\$3,207,546)	(\$3,266,082)
Programs	904,256	82,677	5,367	17,566	(798,646)	(971,194)
Projects	1,109,860	-	260,273	-	(849,587)	(1,319,347)
Interest on long-term debt	234,905	-	-	-	(234,905)	(328,857)
Total governmental activities	<u>\$5,456,717</u>	<u>\$82,677</u>	<u>\$265,790</u>	<u>\$17,566</u>	<u>(5,090,684)</u>	<u>(5,885,480)</u>
General revenues:						
Property taxes					9,864,463	9,644,359
Grants and contributions not restricted to specific programs					616	1,411
Unrestricted investment earnings					561,725	69,241
Miscellaneous other					238,240	110,228
Total general revenues					<u>10,665,044</u>	<u>9,825,239</u>
Change in net position					5,574,360	3,939,759
Net position - January 1					<u>43,039,409</u>	<u>39,099,650</u>
Net position - December 31					<u>\$48,613,769</u>	<u>\$43,039,409</u>

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

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

Statement 3

	Management Planning Fund	
	2023	2022
Assets:		
Cash and investments	\$26,254,778	\$24,914,613
Accounts receivable - net	-	2,279
Due from other governments	214,324	429,168
Prepaid items	28,807	57,872
Property taxes receivable:		
Delinquent	176,204	84,551
Due from county	48,225	63,595
Total assets	<u>\$26,722,338</u>	<u>\$25,552,078</u>
Liabilities:		
Accounts payable	\$137,090	\$196,683
Salaries payable	75,294	79,304
Due to other governments	1,105,644	1,014,589
Contracts payable	82,840	18,113
Unearned revenue	949,158	290,331
Surety deposits payable	904,307	1,283,474
Total liabilities	<u>3,254,333</u>	<u>2,882,494</u>
Deferred inflows of resources:		
Unavailable revenue	<u>176,204</u>	<u>84,551</u>
Fund balance:		
Nonspendable	28,807	57,872
Committed	4,875,549	5,611,423
Assigned	18,387,445	16,915,738
Total fund balance	<u>23,291,801</u>	<u>22,585,033</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$26,722,338</u>	 <u>\$25,552,078</u>
Fund balance reported above	\$23,291,801	\$22,585,033
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	37,099,799	36,325,564
Deferred outflows of resources related to pensions are not current financial resources and, therefore, are not reported in the funds.	309,719	524,312
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(11,577,905)	(16,100,050)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	176,204	84,551
Deferred inflows of resources related to pensions and debt refundings are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.	(685,849)	(380,001)
Net position of governmental activities	<u>\$48,613,769</u>	<u>\$43,039,409</u>

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

MINNEHAHA 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

	Management Planning Fund	
	2023	2022
Revenues:		
General property taxes	\$9,772,810	\$9,654,671
Intergovernmental - other	283,822	547,416
Permits	82,677	83,978
Investment income	561,725	69,241
Other	798,240	110,228
Total revenues	<u>11,499,274</u>	<u>10,465,534</u>
Expenditures:		
Current:		
General government	3,020,199	3,045,527
Programs	865,765	1,072,337
Projects	533,501	1,518,663
Debt service:		
Principal	3,914,197	2,379,792
Interest	403,752	483,599
Capital outlay	2,055,092	512,905
Total expenditures	<u>10,792,506</u>	<u>9,012,823</u>
Revenues over (under) expenditures	<u>706,768</u>	<u>1,452,711</u>
Other financing sources (uses):		
Proceeds from sale of land	-	1,000,000
Transfers in	12,291,975	1,693,620
Transfers out	(12,291,975)	(1,693,620)
Total other financing sources (uses)	<u>0</u>	<u>1,000,000</u>
Net change in fund balance	706,768	2,452,711
Fund balance - January 1	<u>22,585,033</u>	<u>20,132,322</u>
Fund balance - December 31	<u><u>\$23,291,801</u></u>	<u><u>\$22,585,033</u></u>

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

MINNEHAHA CREEK WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS

Statement 5

For The Year Ended December 31, 2023

With Comparative Totals For the Year Ended December 31, 2022

	2023	2022
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Net changes in fund balances - total governmental funds (Statement 4)	\$706,768	\$2,452,711
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	2,055,092	512,905
Capital outlay not capitalized	(215,655)	(172,063)
Depreciation expense	(157,807)	(206,970)
In the statement of activities, only the gain/loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.	(907,395)	(1,057,431)
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	91,653	(10,312)
The issuance of long-term debt (e.g., loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Loan principal repayments	3,752,817	2,230,862
Due to the City of Richfield repayments	161,380	148,930
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. Changes in these expense accruals are as follows:		
Change in accrued interest payable	30,295	16,190
Amortization of bond premium	107,332	107,332
Amortization of deferred inflows related to debt refundings	31,220	31,220
Change in compensated absences payable	(26,966)	(31,711)
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	\$124,892	
Pension expense	(179,266)	
	(54,374)	(81,904)
Change in net position of governmental activities (Statement 2)	\$5,574,360	\$3,939,759

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Minnehaha Creek Watershed District conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant accounting policies.

A. FINANCIAL REPORTING ENTITY

Minnehaha Creek Watershed District (the District) was created in 1967 under the Minnesota Watershed Act as amended by the Minnesota Water Resources Board as provided in Minnesota Statutes Chapter 112. The District is operated by a seven member Board of Managers appointed by the Hennepin and Carver County Boards of Commissioners for three year terms. Approximately 145 square miles of the District is in Hennepin County, while 30 square miles is in Carver County. The District includes all or part of 27 cities and 2 townships. In accordance with Governmental Accounting Standards Board (GASB) pronouncements and generally accepted accounting principles, the financial statements of the reporting entity should include the primary government and its component units. The District (primary government) does not have any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *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 services.

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:

Management Planning Fund - was established for the preparation of an overall plan for projects and improvements, and for projects and improvements to implement the approved plan. As authorized by Minnesota Statutes, Section 103B.241, the fund collects an ad valorem tax levy. Exhibit 1 shows the breakdown between projects.

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.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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 Management Planning Fund on an annual basis. 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 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.

E. CASH AND INVESTMENTS

Investments are stated at fair value, except investments in external investment pools that meet GASB Statement No. 79 requirements are stated at amortized cost. The District has reported all investment income, including changes in fair value of investments, as revenue in the operating statements.

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 city, 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.

In the government-wide financial statements, property tax revenue is recognized in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

In the governmental fund financial statements, property tax revenue is recognized when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes 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 inflows of resources because they are not available to finance current expenditures.

G. PREPAID ITEMS

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

H. INVENTORIES

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

I. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets, and intangible assets such as easements, are reported in the government-wide financial statements. Capital assets are defined 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, structures and land improvements	30 years
Equipment	5 years
Vehicles	5 years
Furniture	5 years

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and accumulated sick leave benefits 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. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

L. 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 two items that qualify for reporting in this category. They are the pension related deferred inflows of resources and the unamortized gain from a bond refunding transaction. 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.

M. 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.

N. 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 Board.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the Board's intended use. These constraints are established by the District's Board.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Unassigned - is the residual classification for a general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the Board’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 Board’s policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

O. USE OF ESTIMATES

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

P. 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.

Q. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The detail of this (\$11,577,905) difference is as follows:

Bonds and notes payable	\$7,605,357
Unamortized loan premium	900,039
Accrued interest payable	24,367
Compensated absences	233,368
Due to the City of Richfield	1,601,334
Net pension liability	<u>1,213,440</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$11,577,905</u>

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At December 31, 2023, the carrying amount of the District's deposits was \$26,254,778 and the bank balance was \$26,804,434. The entire bank balance was covered by federal depository insurance, surety bonds or perfected collateral held by the District's agent in the District's name.

B. INVESTMENTS

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

The District did not invest in any of the above listed investments during 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 in regards to credit risk of investments. The District's investment policy states the District will cross-check all depositories under consideration against existing investments to ensure that funds in excess of insurance limits are not deposited with the same institution unless collateralized.

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's investment policy states that the District will minimize interest rate risk by structuring its investment portfolio to ensure that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the District's investment in a single issuer. The District's investment policy states that they will diversify their investments according to type and maturity and will attempt to match investments with anticipated cash flow requirements.

Custodial Credit Risk- Investments. For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investment securities that is in the possession of an outside party. The District's investment policy states they will obtain collateral for all uninsured amounts on deposit.

The District uses a 3rd party financial advisor to ensure compliance with the above MN State Statutes.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2023 are as follows:

	<u>Delinquent Property Taxes</u>
Management Planning Fund	<u><u>\$88,100</u></u>

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:

	<u>Delinquent Property Taxes</u>
Management Planning Fund	<u><u>\$176,204</u></u>

MINNEHAHA 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:				
Construction in progress	\$310,666	\$1,839,437	(\$371,666)	\$1,778,437
Land	27,887,121	-	-	27,887,121
Permanent easements	5,333,620	-	-	5,333,620
Total capital assets, not being depreciated	<u>33,531,407</u>	<u>1,839,437</u>	<u>(371,666)</u>	<u>34,999,178</u>
Capital assets, being depreciated:				
Buildings and improvements	1,874,912	-	-	1,874,912
Land improvements	1,658,805	371,666	(1,237,357)	793,114
Furniture	137,836	-	-	137,836
Equipment	487,221	-	-	487,221
Vehicles	244,693	-	-	244,693
Total capital assets, being depreciated	<u>4,403,467</u>	<u>371,666</u>	<u>(1,237,357)</u>	<u>3,537,776</u>
Less accumulated depreciation for:				
Buildings and improvements	596,429	62,497	-	658,926
Land improvements	354,740	7,059	(329,962)	31,837
Furniture	133,858	2,984	-	136,842
Equipment	328,230	63,233	-	391,463
Vehicles	196,053	22,034	-	218,087
Total accumulated depreciation	<u>1,609,310</u>	<u>157,807</u>	<u>(329,962)</u>	<u>1,437,155</u>
Total capital assets being depreciated - net	<u>2,794,157</u>	<u>213,859</u>	<u>(907,395)</u>	<u>2,100,621</u>
Governmental activities capital assets - net	<u>\$36,325,564</u>	<u>\$2,053,296</u>	<u>(\$1,279,061)</u>	<u>\$37,099,799</u>

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

Governmental activities:	
General government	\$106,007
Program	38,491
Projects	<u>13,309</u>
Total	<u>\$157,807</u>

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note 6 LONG TERM DEBT

Proceeds from long-term debt were used to provide funds for the acquisition of land and buildings. The District also agreed to service the debt of the City of Richfield that was used to construct a storm water treatment facility.

As of December 31, 2023, the long-term debt of the District consisted of the following:

	Interest Rates	Date	Final Maturity Date	Original Issue	Payable 12/31/2023
Direct borrowings:					
Bonds and notes payable:					
2013B Hennepin Co bonds	2.00 - 3.00%	06/01/2013	12/01/2032	\$7,075,000	\$3,640,000
2019 Bremer Bank note	2.56%	11/01/2019	11/01/2034	1,300,000	1,000,357
2020B Hennepin Co bonds	5.00%	09/24/2020	12/01/2031	3,825,000	2,965,000
Due to the City of Richfield		03/21/2013	02/1/2033	<u>3,455,258</u>	<u>1,601,334</u>
				<u>15,655,258</u>	<u>9,206,691</u>
Compensated absences payable					<u>233,368</u>
Total District indebtedness				<u>\$15,655,258</u>	<u>\$9,440,059</u>

	2013B Hennepin Co Bonds		2019 Bremer Bank Note		2020B Hennepin Co Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$370,000	\$92,938	\$79,822	\$25,102	\$330,000	\$148,250
2025	375,000	85,538	81,878	23,045	345,000	131,750
2026	385,000	78,038	83,988	20,935	365,000	114,500
2027	390,000	69,375	86,152	18,772	380,000	96,250
2028	400,000	60,600	88,371	16,552	405,000	77,250
2029-2033	1,720,000	130,950	477,204	47,413	1,140,000	106,750
2034	-	-	102,942	1,981	-	-
Total	<u>\$3,640,000</u>	<u>\$517,439</u>	<u>\$1,000,357</u>	<u>\$153,800</u>	<u>\$2,965,000</u>	<u>\$674,750</u>

According to the terms of the loan agreement between the District and Bremer Bank, in the event of default (as defined in the loan agreement) the outstanding unpaid principal balance of the note and any accrued interest thereon shall automatically become immediately due and payable.

During 2013, the District entered into a cooperative agreement with the City of Richfield. The agreement called for the City to finance and design a regional storm water treatment facility. The City issued bonds in the amount of \$2,770,000 to finance the construction, which per the agreement, the District agreed to service. The agreement requires the District to cover the annual debt service payments, both principal and interest.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Total amount due to the City of Richfield at December 31, 2023 was as follows:

<u>Due to the City of Richfield</u>	
2024	\$158,680
2025	160,930
2026	158,130
2027	160,280
2028	162,330
2029-2033	<u>800,984</u>
Total	<u><u>\$1,601,334</u></u>

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

DEFERRED INFLOW OF RESOURCES RELATED TO DEBT REFUNDINGS

During 2020, Hennepin County and the City of Richfield issued refunding bonds associated with the District's debt. As a result of the refunding transactions, the District recorded a deferred inflow of resources on its statement of net position equal to the difference between the reacquisition price and the net carrying amount of the old debt. The deferred inflow will be amortized through the year 2031, resulting in a reduction to interest expense of \$31,220 per year.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2023 was as follows:

	<u>Balance</u> <u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>	<u>Due Within</u> <u>One Year</u>
Direct borrowings:					
2013B Hennepin County bonds	\$4,000,000	\$ -	(\$360,000)	\$3,640,000	\$370,000
2018 Wells Fargo note	3,000,000	-	(3,000,000)	-	-
2019 Bremer Bank note	1,078,174	-	(77,817)	1,000,357	79,822
2020B Hennepin County bonds	3,280,000	-	(315,000)	2,965,000	330,000
Due to City of Richfield - 2020B	1,762,714	-	(161,380)	1,601,334	158,680
Compensated absences *	<u>206,402</u>	<u>26,966</u>	<u>-</u>	<u>233,368</u>	<u>16,653</u>
Total	<u><u>\$13,327,290</u></u>	<u><u>\$26,966</u></u>	<u><u>(\$3,914,197)</u></u>	<u><u>\$9,440,059</u></u>	<u><u>\$955,155</u></u>

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

Note 7 **DEFINED BENEFIT PENSION PLANS**

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 \$124,892. The District's contributions were equal to the required contributions as set by state statute.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

D. PENSION COSTS

At December 31, 2023, the District reported a liability of \$1,213,440 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 \$33,453.

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 0.0217% at the end of the measurement period and 0.0216% for the beginning of the period.

District’s proportionate share of the net pension liability	\$1,213,440
State of Minnesota’s proportionate share of the net pension liability associated with the District	33,453
Total	<u><u>\$1,246,893</u></u>

For the year ended December 31, 2023, the District recognized pension expense of \$179,266 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$150 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	\$39,850	\$8,378
Changes in actuarial assumptions	196,873	332,594
Difference between projected and actual investment earnings	-	46,727
Changes in proportion	11,614	48,386
Contributions paid to PERA subsequent to the measurement date	61,382	-
Total	<u><u>\$309,719</u></u>	<u><u>\$436,085</u></u>

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

The \$61,382 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:

Year Ending December 31,	Pension Expense
2024	\$14,171
2025	(205,160)
2026	29,565
2027	(26,324)
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.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

- 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25.0%	0.75%
Private markets	25.0%	5.90%
Total	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:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Proportionate share of the GERF net pension liability	\$2,146,672	\$1,213,440	\$445,820

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.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2023

Note 8 CONTINGENCIES

The District has indicated that any existing or pending lawsuits, claims or other actions in which the District is a defendant are either covered by insurance; of an immaterial amount; or, in the judgement of the District, remotely recoverable by plaintiffs.

Note 9 FUND BALANCE CLASSIFICATIONS

At December 31, 2023, fund balance classifications for the Management Planning Fund are as follows:

	<u>Fund Balance</u>
Nonspendable - prepaid items	\$28,807
Committed for water management	4,875,549
Assigned for water management	<u>18,387,445</u>
Total	<u><u>\$23,291,801</u></u>

Note 10 FEDERAL AND STATE ASSISTED PROGRAMS - COMPLIANCE AUDITS

The District receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the individual fund types included herein or on the overall financial position of the District at December 31, 2023.

Note 11 RISK MANAGEMENT

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The District pays an annual premium to LMCIT and is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. The District's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the LMCIT. The District pays an annual premium to the LMCIT and is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The District retains risk for the deductible portions. Deductibles are considered immaterial to the financial statements.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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

Note 12 COMMITTED CONTRACTS

At December 31, 2023, the District had commitments of \$201,383 for uncompleted construction contracts.

Note 13 RECENTLY ISSUED ACCOUNTING STANDARDS

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

Statement No. 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

MINNEHAHA CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MANAGEMENT PLANNING FUND
For The Year Ended December 31, 2023
With Comparative Actual Amounts 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	\$9,869,514	\$9,869,514	\$9,772,810	(\$96,704)	\$9,654,671
Intergovernmental - other	445,000	445,000	283,822	(161,178)	547,416
Permits	60,000	60,000	82,677	22,677	83,978
Investment income	10,000	10,000	561,725	551,725	69,241
Other	-	560,000	798,240	238,240	110,228
Total revenues	<u>10,384,514</u>	<u>10,944,514</u>	<u>11,499,274</u>	<u>554,760</u>	<u>10,465,534</u>
Expenditures:					
District operations and personnel	4,239,930	4,239,930	3,020,199	1,219,731	3,045,527
Programs	1,570,530	1,570,530	865,765	704,765	1,072,337
Project implementation	2,030,910	3,654,522	533,501	3,121,021	1,518,663
Debt service	4,317,642	4,317,642	4,317,949	(307)	2,863,391
Capital outlay	2,150,182	2,150,182	2,055,092	95,090	512,905
Total expenditures	<u>14,309,194</u>	<u>15,932,806</u>	<u>10,792,506</u>	<u>5,140,300</u>	<u>9,012,823</u>
Revenues over (under) expenditures	<u>(3,924,680)</u>	<u>(4,988,292)</u>	<u>706,768</u>	<u>5,695,060</u>	<u>1,452,711</u>
Other financing sources (uses):					
Proceeds from sale of land	-	-	-	-	1,000,000
Transfers in	12,291,975	12,291,975	12,291,975	-	1,693,620
Transfers out	(12,291,975)	(12,291,975)	(12,291,975)	-	(1,693,620)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,000,000</u>
Net change in fund balance	<u>(\$3,924,680)</u>	<u>(\$4,988,292)</u>	<u>706,768</u>	<u>\$5,695,060</u>	<u>2,452,711</u>
Fund balance - January 1			<u>22,585,033</u>		<u>20,132,322</u>
Fund balance - December 31			<u>\$23,291,801</u>		<u>\$22,585,033</u>

See accompanying notes to the required supplementary information.

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

Statement 7

Measurement Date June 30	Fiscal Year Ending December 31	District's Proportionate (Percentage) of the Net Pension Liability	District's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with District (a+b)	Covered Payroll (c)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	0.0241%	\$1,248,987	\$ -	\$1,248,987	\$1,419,427	88.0%	78.2%
2016	2016	0.0277%	2,249,103	29,414	2,278,517	1,690,960	134.7%	68.9%
2017	2017	0.0243%	1,551,296	19,498	1,570,794	1,564,790	100.4%	75.9%
2018	2018	0.0228%	1,264,851	41,581	1,306,432	1,533,239	85.2%	79.5%
2019	2019	0.0220%	1,216,331	37,832	1,254,163	1,554,991	80.7%	80.2%
2020	2020	0.0229%	1,372,960	42,326	1,415,286	1,632,352	86.7%	79.1%
2021	2021	0.0233%	995,014	30,371	1,025,385	1,677,075	61.1%	87.0%
2022	2022	0.0216%	1,710,727	50,078	1,760,805	1,614,630	109.1%	76.7%
2023	2023	0.0217%	1,213,440	33,453	1,246,893	1,727,814	72.2%	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.

MINNEHAHA 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	\$114,171	\$114,171	\$ -	\$1,522,278	7.5%
2016	121,071	121,071	-	1,614,270	7.5%
2017	118,539	118,539	-	1,580,527	7.5%
2018	114,075	114,075	-	1,521,002	7.5%
2019	121,394	121,394	-	1,618,594	7.5%
2020	123,495	123,495	-	1,646,432	7.5%
2021	125,153	125,153	-	1,668,710	7.5%
2022	126,575	126,575	-	1,687,118	7.5%
2023	124,892	124,892	-	1,665,212	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.

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

Note A LEGAL COMPLIANCE – BUDGETS

The Management Planning 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 for the Management Planning Fund.

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.

MINNEHAHA 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.

SUPPLEMENTARY FINANCIAL INFORMATION

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2023

	1002 General	1003 Information Technology	1005 Facility Maintenance	2001 Permit Administration	2002 Planning & Projects
Revenues:					
General property taxes	\$1,132,691	\$277,000	\$747	\$792,789	\$902,545
Intergovernmental - other	616	-	-	-	-
Permits	-	-	-	82,677	-
Investment income	561,725	-	-	-	-
Other	15,680	-	-	70	-
Total revenues	<u>1,710,712</u>	<u>277,000</u>	<u>747</u>	<u>875,536</u>	<u>902,545</u>
Expenditures:					
General government:					
District operations and personnel	951,141	196,303	-	379,058	345,072
Programs	-	-	-	347,358	-
Projects	-	-	-	-	161,556
Debt service:					
Principal	77,817	-	-	-	-
Interest	27,106	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>1,056,064</u>	<u>196,303</u>	<u>0</u>	<u>726,416</u>	<u>506,628</u>
Revenues over (under) expenditures	<u>654,648</u>	<u>80,697</u>	<u>747</u>	<u>149,120</u>	<u>395,917</u>
Other financing sources (uses):					
Transfers in	-	-	-	9,999	-
Transfers out	<u>(2,411,581)</u>	<u>(111,073)</u>	<u>(386,000)</u>	<u>-</u>	<u>(253,395)</u>
Total other financing sources (uses)	<u>(2,411,581)</u>	<u>(111,073)</u>	<u>(386,000)</u>	<u>9,999</u>	<u>(253,395)</u>
Net change in fund balance	(1,756,933)	(30,376)	(385,253)	159,119	142,522
Fund balance - January 1	<u>2,358,175</u>	<u>96,363</u>	<u>385,253</u>	<u>-</u>	<u>187,395</u>
Fund balance - December 31	<u>\$601,242</u>	<u>\$65,987</u>	<u>\$0</u>	<u>\$159,119</u>	<u>\$329,917</u>

2003 Maintenance	2004 Land Conservation	2007 Rules Revision	2008 Policy Planning	3001 Capital Finance	3002 Pond Dredging
\$970,544	\$3,007,951	\$ -	\$602,935	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
560,000	-	-	-	-	-
<u>1,530,544</u>	<u>3,007,951</u>	<u>0</u>	<u>602,935</u>	<u>0</u>	<u>0</u>
243,955	-	-	353,810	-	-
-	-	-	-	-	-
159,111	1,327	28,444	25,569	-	511
-	3,836,380	-	-	-	-
-	376,646	-	-	-	-
1,884,888	-	-	-	-	-
<u>2,287,954</u>	<u>4,214,353</u>	<u>28,444</u>	<u>379,379</u>	<u>0</u>	<u>511</u>
<u>(757,410)</u>	<u>(1,206,402)</u>	<u>(28,444)</u>	<u>223,556</u>	<u>0</u>	<u>(511)</u>
-	-	7,176	-	10,267,892	511
<u>(349,798)</u>	<u>(7,194,832)</u>	<u>-</u>	<u>(14,000)</u>	<u>(34,828)</u>	<u>-</u>
<u>(349,798)</u>	<u>(7,194,832)</u>	<u>7,176</u>	<u>(14,000)</u>	<u>10,233,064</u>	<u>511</u>
(1,107,208)	(8,401,234)	(21,268)	209,556	10,233,064	0
<u>1,403,609</u>	<u>8,949,533</u>	<u>44,254</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$296,401</u>	<u>\$548,299</u>	<u>\$22,986</u>	<u>\$209,556</u>	<u>\$10,233,064</u>	<u>\$0</u>

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2023

	3106 Six Mile Marsh Prairie Restoration	3145 Blake Road Stormwater Management	3146 Cottageville Park	3148 FEMA Flood Repair	3150 Meadowbrook Golf Course
Revenues:					
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	235,000	-	4,586	-
Permits	-	-	-	-	-
Investment income	-	-	-	-	-
Other	-	188,050	-	-	-
Total revenues	<u>0</u>	<u>423,050</u>	<u>0</u>	<u>4,586</u>	<u>0</u>
Expenditures:					
General government:					
District operations and personnel	-	-	-	-	-
Programs	-	-	-	-	-
Projects	35	76,489	28,044	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	170,204	-	-	-	-
Total expenditures	<u>170,239</u>	<u>76,489</u>	<u>28,044</u>	<u>0</u>	<u>0</u>
Revenues over (under) expenditures	<u>(170,239)</u>	<u>346,561</u>	<u>(28,044)</u>	<u>4,586</u>	<u>0</u>
Other financing sources (uses):					
Transfers in	19,514	109,710	-	-	-
Transfers out	-	-	-	(8,475)	(200,673)
Total other financing sources (uses)	<u>19,514</u>	<u>109,710</u>	<u>0</u>	<u>(8,475)</u>	<u>(200,673)</u>
Net change in fund balance	(150,725)	456,271	(28,044)	(3,889)	(200,673)
Fund balance - January 1	<u>150,725</u>	<u>3,864,317</u>	<u>1,282,054</u>	<u>8,475</u>	<u>200,673</u>
Fund balance - December 31	<u>\$0</u>	<u>\$4,320,588</u>	<u>\$1,254,010</u>	<u>\$4,586</u>	<u>\$0</u>

3152 SWLRT Trail Connection	3153 Wassermann West Project	3155 Minneapolis Stormwater Mgmt	3156 Wassermann Internal Load Mgmt	3157 Louisiana Trail Greenspace & Stormwater	3158 - Turbid-Lunsten Wetland Restoration
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	20,687	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
0	20,687	0	0	0	0
-	-	-	-	-	-
-	-	-	-	-	-
-	8,742	-	7,526	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
0	8,742	0	7,526	0	0
0	11,945	0	(7,526)	0	0
-	13,096	1,249,993	5,377	-	-
(200,000)	(49,788)	-	-	(300,000)	-
(200,000)	(36,692)	1,249,993	5,377	(300,000)	0
(200,000)	(24,747)	1,249,993	(2,149)	(300,000)	0
603,212	24,747	1,500,000	2,149	300,000	250,000
\$403,212	\$0	\$2,749,993	\$0	\$0	\$250,000

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2023

	3159 - County Round 6 Pond Retrofit	3160 Six Mile Marsh Prairie	3500 Maple Creek Improvement Project	3502 Holbrook Park Regional Stormwater	3503 Northside Park Project (Lifetime)
Revenues:					
General property taxes	\$35,169	\$68,000	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-
Permits	-	-	-	-	-
Investment income	-	-	-	-	-
Other	-	-	-	-	34,440
Total revenues	35,169	68,000	0	0	34,440
Expenditures:					
General government:					
District operations and personnel	-	-	-	-	-
Programs	-	-	90,000	-	-
Projects	-	-	-	-	34,440
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	0	0	90,000	0	34,440
Revenues over (under) expenditures	35,169	68,000	(90,000)	0	0
Other financing sources (uses):					
Transfers in	-	207,000	-	400,000	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	0	207,000	0	400,000	0
Net change in fund balance	35,169	275,000	(90,000)	400,000	0
Fund balance - January 1	74,831	-	100,000	-	-
Fund balance - December 31	\$110,000	\$275,000	\$10,000	\$400,000	\$0

4001 Stewardship Grant Program	4002 Outreach	4005 Cost Share Program	5001 Research & Monitoring	5007 SMCHB-Carp Management	5008 LCCMR	Total All Projects
\$ -	\$527,826	\$ -	\$1,454,613	\$ -	\$ -	\$9,772,810
-	-	-	17,566	-	5,367	283,822
-	-	-	-	-	-	82,677
-	-	-	-	-	-	561,725
-	-	-	-	-	-	798,240
<u>0</u>	<u>527,826</u>	<u>0</u>	<u>1,472,179</u>	<u>0</u>	<u>5,367</u>	<u>11,499,274</u>
-	145,915	-	404,945	-	-	3,020,199
-	72,642	-	350,398	-	5,367	865,765
-	-	-	-	1,707	-	533,501
-	-	-	-	-	-	3,914,197
-	-	-	-	-	-	403,752
-	-	-	-	-	-	2,055,092
<u>0</u>	<u>218,557</u>	<u>0</u>	<u>755,343</u>	<u>1,707</u>	<u>5,367</u>	<u>10,792,506</u>
<u>0</u>	<u>309,269</u>	<u>0</u>	<u>716,836</u>	<u>(1,707)</u>	<u>0</u>	<u>706,768</u>
-	-	-	-	1,707	-	12,291,975
-	(223,597)	-	(553,935)	-	-	(12,291,975)
<u>0</u>	<u>(223,597)</u>	<u>0</u>	<u>(553,935)</u>	<u>1,707</u>	<u>0</u>	<u>0</u>
0	85,672	0	162,901	0	0	706,768
8,129	166,597	405,799	218,743	-	-	22,585,033
<u>\$8,129</u>	<u>\$252,269</u>	<u>\$405,799</u>	<u>\$381,644</u>	<u>\$0</u>	<u>\$0</u>	<u>\$23,291,801</u>

- This page intentionally left blank -

OTHER INFORMATION SECTION - UNAUDITED

MINNEHAHA 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 Watershed	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

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>

MINNEHAHA CREEK WATERSHED DISTRICT
SCHEDULE OF EXPENDITURES - LAND CONSERVATION AND COLD STORAGE - UNAUDITED
ACCOUNTS 2004 AND 6001

	<u>Prior Years</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>
Land Conservation and Cold Storage					
Expenses:					
Operations and projects	\$5,315,594	\$1,512,166	\$1,567,901	\$1,458,808	\$1,511,482
Capital outlay:					
Whitman property	900,000	-	-	-	-
Walders property	90,000	-	-	-	-
Chute Property	1,539,050	-	-	-	-
Dierks Property	2,710,383	-	-	-	-
Waldera Property	539,963	-	-	-	-
Rye Property	418,026	-	-	-	-
Weis Property	1,030,000	-	-	-	-
Barkus Property	220,094	-	-	-	-
Broing Property	1,128,206	-	-	-	-
Ugorets Property	351,044	-	-	-	-
Nemar Property	331,514	-	-	-	-
Halstead Drive (Halverson)	2,316,264	-	-	-	-
Cold Storage Facility	15,118,964	-	-	-	-
7701 Halstead Drive	2,278,518	-	-	-	-
1308 Lake Street	192,235	-	-	-	-
1312 Lake Street	182,436	-	-	-	-
Katy Hills Easement	56,774	-	-	-	-
Jane and James Hesse Easement	-	-	-	80,000	-
Farmhill Circle	-	-	-	-	-
Capitalized for audit	29,403,471	-	-	80,000	-
Building purchases not capitalized*	2,045,000	-	-	-	-
Total capital outlay	31,448,471	0	0	80,000	0
Total expenditures**	\$36,764,065	\$1,512,166	\$1,567,901	\$1,538,808	\$1,511,482

* This was the portion of the Ugorets and Nemar properties that was not capitalized for the audit. The amount is related to the price of the buildings on the property, which were being demolished and, therefore, were not capital assets to depreciate.

** The total expenditures does not include debt service payments, issuance expense, and transfers out.

<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>Total</u>
Land Conservation and Cold Storage						
\$757,023	\$2,726	\$22,687	\$1,414	\$1,372	\$1,327	\$12,152,500
-	-	-	-	-	-	900,000
-	-	-	-	-	-	90,000
-	-	-	-	-	-	1,539,050
-	-	-	-	-	-	2,710,383
-	-	-	-	-	-	539,963
-	-	-	-	-	-	418,026
-	-	-	-	-	-	1,030,000
-	-	-	-	-	-	220,094
-	-	-	-	-	-	1,128,206
-	-	-	-	-	-	351,044
-	-	-	-	-	-	331,514
-	-	-	-	-	-	2,316,264
-	-	-	-	-	-	15,118,964
-	-	-	-	-	-	2,278,518
-	-	-	-	-	-	192,235
-	-	-	-	-	-	182,436
-	-	-	-	-	-	56,774
-	-	-	-	-	-	80,000
452,096	-	-	-	-	-	452,096
452,096	-	-	-	-	-	29,935,567
-	-	-	-	-	-	2,045,000
452,096	0	0	0	0	0	31,980,567
<u>\$1,209,119</u>	<u>\$2,726</u>	<u>\$22,687</u>	<u>\$1,414</u>	<u>\$1,372</u>	<u>\$1,327</u>	<u>\$44,133,067</u>

- This page intentionally left blank -

OTHER REQUIRED REPORTS

- This page intentionally left blank -



REPORT ON INTERNAL CONTROL

To the Board of Managers
Minnehaha Creek Watershed District
Minnetonka, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Minnehaha 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 Minnehaha Creek Watershed District's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Minnehaha Creek Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Minnehaha 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

April 22, 2024

- This page intentionally left blank -



MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Managers
Minnehaha Creek Watershed District
Minnetonka, 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 Minnehaha Creek Watershed District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Minnehaha Creek Watershed District's basic financial statements, and have issued our report thereon dated April 22, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that Minnehaha Creek Watershed District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, 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 Minnehaha 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 Minnehaha 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

April 22, 2024

- This page intentionally left blank -