

RICE CREEK WATERSHED DISTRICT

ANNUAL FINANCIAL REPORT

For The Year Ended December 31, 2025

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INTRODUCTORY SECTION

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RICE CREEK WATERSHED DISTRICT

ORGANIZATION

December 31, 2025

	<u>Term Expires</u>
Managers:	
Michael J. Bradley - President	January 17, 2027
John J. Waller - First Vice-President	January 17, 2028
Steven P. Wagamon - Second Vice-President	January 17, 2028
Marcie Weinandt - Treasurer	January 17, 2026
Jess Robertson - Secretary	January 17, 2026
Staff:	
Administrator: Nick Tomczik	Technician / Inspector: William Roach Alissa Chalberg
Project Manager: David Petry	Operations & Maintenance Inspector Abel Green
Office Manager: Theresa Stasica	Technical Field Assistant: Connor Price
Lake and Stream Manager: Matthew Kocian	Water Monitoring Technician: Catherine Nester
Regulatory Manager Patrick Hughes	Program Support Technician: Emmet Hurley
Communication and Outreach Manager Kendra Sommerfeld	Project Technician: Sara Belden
Drainage and Facilities Manager Tom Schmidt	Inspector: Erik Larson Sarah Struntz
Outreach and Grant Technician Molly Nelson	
Regulatory Technician: Anna Grace	
Permit Technician: Kelsey White	

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Managers of
Rice Creek Watershed District
Blaine, 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 Rice Creek Watershed District, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Rice 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 Rice Creek Watershed District, as of December 31, 2025, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rice 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 Rice Creek Watershed District's 2024 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund in our report dated March 14, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rice 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 Rice 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 Rice Creek Watershed District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rice Creek Watershed District's basic financial statements. The individual fund financial statements and supplementary financial information are presented for purposes of additional analysis and are 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 individual fund financial statements and the supplementary financial information are 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

March 30, 2026

BASIC FINANCIAL STATEMENTS

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

Statement 1

	Primary Government	
	Governmental Activities	
	2025	2024
Assets:		
Cash and investments	\$18,414,113	\$16,536,752
Due from other governments	128,796	107,135
Interest receivable	-	51,394
Property taxes receivable:		
Delinquent	57,562	64,098
Due from county	39,841	34,772
Special assessments receivable:		
Deferred	404,554	122,695
Special deferred	195,817	186,542
Delinquent	23,214	17,917
Due from county	910	136
Prepaid items	50,711	50,213
Capital assets - net of accumulated depreciation and amortization:		
Nondepreciable	1,239,793	1,239,793
Depreciable	801,383	828,592
Lease asset - office space	603,255	80,177
Total assets	<u>21,959,949</u>	<u>19,320,216</u>
Deferred outflows of resources related to pensions	<u>216,730</u>	<u>130,487</u>
Liabilities:		
Accounts payable	361,137	244,864
Contracts/retainage payable	-	4,666
Due to other governments	154,928	106,404
Deposits payable	1,624,857	1,770,457
Unearned revenue	92,256	43,228
Lease liability:		
Due within one year	105,570	87,565
Due in more than one year	489,175	-
Compensated absences payable:		
Due within one year	112,572	67,098
Due in more than one year	11,131	10,515
Net pension liability:		
Due in more than one year	488,822	478,792
Total liabilities	<u>3,440,448</u>	<u>2,813,589</u>
Deferred inflows of resources related to pensions	<u>332,692</u>	<u>335,834</u>
Total deferred inflows	<u>332,692</u>	<u>335,834</u>
Net position:		
Net investment in capital assets	2,049,686	2,060,997
Restricted	618,037	205,341
Unrestricted	15,735,816	14,034,942
Total net position	<u>\$18,403,539</u>	<u>\$16,301,280</u>

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

RICE CREEK WATERSHED DISTRICT

STATEMENT OF ACTIVITIES

Statement 2

For The Year Ended December 31, 2025

With Comparative Totals For The Year Ended December 31, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Totals	
				2025	2024	
Primary government:						
Governmental activities:						
General government	\$2,304,301	\$135,856	\$ -	\$ -	(\$2,168,445)	(\$1,960,199)
Programs	3,055,501	-	560,791	-	(2,494,710)	(2,537,510)
Interest expense on debt	2,833	-	-	-	(2,833)	(2,854)
Total governmental activities	<u>\$5,362,635</u>	<u>\$135,856</u>	<u>\$560,791</u>	<u>\$0</u>	<u>(4,665,988)</u>	<u>(4,500,563)</u>
General revenues:						
Property taxes					6,009,030	6,029,722
Grants and contributions not restricted to specific programs					1,485	1,594
Unrestricted investment earnings					747,732	808,515
Gain on sale of capital asset					-	59,650
Miscellaneous other					10,000	-
Total general revenues					<u>6,768,247</u>	<u>6,899,481</u>
Change in net position					2,102,259	2,398,918
Net position - January 1					<u>16,301,280</u>	<u>13,902,362</u>
Net position - December 31					<u>\$18,403,539</u>	<u>\$16,301,280</u>

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

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

Statement 3

Assets	General Fund	509 Planning	Total Governmental Funds	
		Special Revenue Fund	2025	2024
Cash and investments	\$2,143,581	\$16,270,532	\$18,414,113	\$16,536,752
Due from other governments	-	128,796	128,796	107,135
Accrued interest receivable	-	-	-	51,394
Property taxes receivable:				
Delinquent	4,816	52,746	57,562	64,098
Due from county	3,308	36,533	39,841	34,772
Special assessments receivable:				
Deferred	-	404,554	404,554	122,695
Special deferred	-	195,817	195,817	186,542
Delinquent	-	23,214	23,214	17,917
Due from county	-	910	910	136
Prepaid items	19,900	30,811	50,711	50,213
Total assets	\$2,171,605	\$17,143,913	\$19,315,518	\$17,171,654
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$118,751	\$242,386	\$361,137	\$244,864
Contracts/retainage payable	-	-	-	4,666
Due to other governments	-	154,928	154,928	106,404
Deposits payable	1,624,857	-	1,624,857	1,770,457
Unearned revenue	-	92,256	92,256	43,228
Total liabilities	1,743,608	489,570	2,233,178	2,169,619
Deferred inflows of resources:				
Unavailable revenue	4,816	676,331	681,147	391,251
Fund balance:				
Nonspendable	19,900	30,811	50,711	50,213
Restricted	-	48,956	48,956	90,451
Committed	-	8,694,929	8,694,929	6,302,359
Assigned	-	7,313,452	7,313,452	7,764,645
Unassigned	403,281	(110,136)	293,145	403,116
Total fund balance	423,181	15,978,012	16,401,193	14,610,784
Total liabilities, deferred inflows of resources, and fund balance	\$2,171,605	\$17,143,913	\$19,315,518	\$17,171,654
Fund balance reported above			\$16,401,193	\$14,610,784
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets and right to use leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			2,644,431	2,148,562
Deferred outflows of resources related to pensions are not current financial resources and, therefore, are not reported in the funds.			216,730	130,487
Deferred inflows of resources related to pensions are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.			(332,692)	(335,834)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:				
Compensated absences payable			(123,703)	(77,613)
Net pension liability			(488,822)	(478,792)
Lease liability			(594,745)	(87,565)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.			681,147	391,251
Net position of governmental activities			\$18,403,539	\$16,301,280

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

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

Statement 4

	General Fund	509 Planning Special	Total Governmental Funds	
		Revenue Fund	2025	2024
Revenues:				
General property taxes	\$499,520	\$5,516,046	\$6,015,566	\$6,021,429
Special assessments	-	88,801	88,801	23,617
Intergovernmental	123	174,124	174,247	529,056
Permits	-	135,856	135,856	85,614
Investment income	102,793	644,939	747,732	808,515
Miscellaneous	-	14,605	14,605	19,871
Total revenues	<u>602,436</u>	<u>6,574,371</u>	<u>7,176,807</u>	<u>7,488,102</u>
Expenditures:				
Current:				
General government	439,079	1,799,317	2,238,396	2,009,500
Programs	-	2,986,551	2,986,551	3,142,809
Capital outlay	-	41,741	41,741	64,129
Debt service				
Principal	23,379	93,498	116,877	100,993
Interest	567	2,266	2,833	2,854
Total expenditures	<u>463,025</u>	<u>4,923,373</u>	<u>5,386,398</u>	<u>5,320,285</u>
Revenues over (under) expenditures	<u>139,411</u>	<u>1,650,998</u>	<u>1,790,409</u>	<u>2,167,817</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	-	59,650
Transfers in	-	370,000	370,000	-
Transfers out	<u>(370,000)</u>	<u>-</u>	<u>(370,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(370,000)</u>	<u>370,000</u>	<u>-</u>	<u>59,650</u>
Net change in fund balance	(230,589)	2,020,998	1,790,409	2,227,467
Fund balance - January 1	<u>653,770</u>	<u>13,957,014</u>	<u>14,610,784</u>	<u>12,383,317</u>
Fund balance - December 31	<u>\$423,181</u>	<u>\$15,978,012</u>	<u>\$16,401,193</u>	<u>\$14,610,784</u>

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

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

Statement 5

	<u>2025</u>	<u>2024</u>
Amounts reported for governmental activities in the Statement of Activities (Statement 2) are different because:		
Net changes in fund balances - total governmental funds (Statement 4)	\$1,790,409	\$2,227,467
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 or amortization expense:		
Capital outlay	41,741	64,129
Depreciation expense	(68,950)	(64,630)
Amortization expense	(100,979)	(96,212)
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	(6,536)	8,293
Change in delinquent and deferred special assessments	296,432	98,979
The issuance of long-term debt (e.g. loans payable) provide current 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.		
Principal payments on lease liabilities	116,877	100,993
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. Expenses reported in the Statement of Activities include the effects of the changes in these expense accruals as follows:		
Change in compensated absences payable	(46,090)	6,101
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the Statement of Activities. This is the amount by which net pension expense differed from pension contributions in the current period.	<u>79,355</u>	<u>53,798</u>
Change in net position of governmental activities (Statement 2)	<u><u>\$2,102,259</u></u>	<u><u>\$2,398,918</u></u>

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Rice Creek Watershed District (the District) conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of significant accounting policies.

A. FINANCIAL REPORTING ENTITY

The District was organized January 18, 1972 under the Minnesota Watershed Act as amended by the Minnesota Water Resources Board as provided in Minnesota Statutes Chapter 112. The District covers areas within the following four counties: Anoka, Hennepin, Ramsey and Washington. The District is operated by a five member Board of Managers appointed by the respective County Boards of Commissioners for staggered three year terms. In accordance with Governmental Accounting Standards Board (GASB) pronouncements and accounting principles generally accepted in the United States of America, the financial statements of the reporting entity should include the primary government and its component units.

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*. There are no *business-type activities*, which rely to a significant extent on fees and charges for 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.

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

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

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

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

The District reports the following major governmental funds:

General Fund – is the general operating fund of the District. It is used to account for financial resources to be used for general administrative expenses and for the construction and maintenance of projects of common benefit to the District.

509 Planning Fund (special revenue fund) – has been established to record transactions resulting from the Metropolitan Surface Water Management Act (Chapter 509, Laws of 1982 Minnesota Statutes Section 473.875 to 473.883). Property taxes are committed for the 509 Planning Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. BUDGETS

The District prepares annual revenue and expenditure budgets for the General Fund and 509 Planning Special Revenue Fund. The District monitors budget performance on the fund basis. All amounts over budget have been approved by the Board through the disbursement approval process. 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. Encumbrance accounting, under which purchase orders, contracts and other commitments of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

E. CASH AND INVESTMENTS

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Investment income is allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

Investments are stated at fair value, based upon quoted market prices. Investment income is accrued at the balance sheet date.

F. PROPERTY TAX REVENUE RECOGNITION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The District recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes 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 are fully offset by deferred inflow of resources because they are not available to finance current expenditures.

G. SPECIAL ASSESSMENT REVENUE RECOGNITION

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the District over a term of years usually consistent with the term of the project. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the Board or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are remitted to the District in payment of delinquent special assessments. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District generally recognizes special assessment revenue in the period that the assessment roll was adopted by the Board. Uncollectible special assessments are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Revenue from special assessments is recognized by the District when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the District are recognized as revenue for the current year. Special assessments that are collected by the County by December 31 (remitted to the District the following January) are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funds are completely offset by deferred inflow of resources.

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 and computer software, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 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 estimated useful lives:

Equipment	5 - 15 years
Vehicles	5 years
Infrastructure	25 years
Temporary easements	Life of easements

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay benefits that are attributable to services already rendered, accumulated, and are 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 the 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 and other long-term obligations are reported as liabilities in the applicable governmental activities.

L. 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 of Managers.

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

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

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

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

M. INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

N. 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.

O. RECLASSIFICATIONS

Certain reclassifications were made to prior year amounts to conform to the current year presentation.

P. PREPAID ITEMS

Certain payments to vendors (insurance) 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.

Q. COMPARATIVE TOTALS

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

R. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has pension related deferred inflows of resources reported in the government-wide Statement of Net Position. The government also has 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 the following sources: property taxes and special assessments.

S. DEFINED BENEFIT PENSION PLAN

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

T. LEASING ARRANGEMENTS

The District has recorded right-to-use leased assets. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the Board of Managers. All 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. The District has no additional deposit policies addressing custodial credit risk.

Custodial Credit Risk – Deposits – this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At December 31, 2025, the entire bank balance was covered by federal depository insurance or perfected collateral held by the District's agent in the District's name.

B. INVESTMENTS

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

The District has investments in the Minnesota Municipal Money Market Fund (4M fund). The 4M fund is an external investment pool regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. For the Term series and 4M Multi-Class Fund (which includes the Liquid Asset Class and the PLUS Class), the fair value of the position in the pool is the same as the value of pool shares. The pool is managed to maintain a portfolio weighted average maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) of \$1 per share. The pool measures its investments at amortized cost in accordance with GASB Statement No. 79.

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

Statement No. 79. The 4M Liquid Asset Class has no redemption requirement. The 4M Plus Class requires funds to be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period are subject to a penalty equal to 7 days interest on the amount withdrawn.

At December 31, 2025, the total amount of investments held in the 4M fund was \$11,417,194. The maximum maturity of 4M fund investments is 14 days.

A summary of the District's cash and investments at December 31, 2025 is as follows:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1	1-5	6-10
External investment pool - 4M Multi-Class Fund	AAAm	\$11,160,344	\$11,160,344	\$ -	\$ -
External investment pool - 4M Limited Term Duration	AAAm	256,850	256,850		
Brokered Certificates of Deposit	Not rated	2,484,366	1,490,635	993,731	-
U.S. Treasuries	AA+	4,634,440	-	4,137,902	496,538
Total		<u>\$18,536,000</u>	<u>\$12,907,829</u>	<u>\$5,131,633</u>	<u>\$496,538</u>
			Total investments		\$18,536,000
			Deposits		(121,887)
			Total cash and investments		<u>\$18,414,113</u>

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

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

RICE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

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

Investment Type	12/31/2025	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Brokered Certificates of Deposit	\$2,484,366	\$ -	\$2,484,366	\$ -
U.S. Treasuries	4,634,440	4,634,440	-	-
		<u>\$4,634,440</u>	<u>\$2,484,366</u>	<u>\$ -</u>
Investments not categorized:				
External investment pool- 4M Fund Multi-Class Fund	11,160,344			
External investment pool - 4M Limited Term Duration	256,850			
Total investments	<u>\$18,536,000</u>			

C. INVESTMENT RISKS

Credit Risk – this 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. To ensure security when considering an investment, the District cross-checks all depositories under consideration against existing investments to make certain that funds in excess of insurance limits are not deposited with the same institution unless collateralized as outlined herein. Furthermore, the Board of Managers will approve all financial institutions, brokers and advisers with which the District will do business.

Interest Rate Risk – this is the risk that changes in the interest rates of debt investments could adversely affect the fair value of an investment. The District minimizes 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 – this is the risk of loss that may be attributed to the magnitude of the District’s investment in a single issuer. The District diversifies its investments according to type and maturity. The District portfolio, to the extent feasible, contains a mixture of short-term (shorter than one year) and long-term (more than one year) investments. The District attempts to match its investments with anticipated cash-flow requirements. Extended maturities may be used to take advantage of higher yields

Custodial Credit Risk – 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 minimizes deposit custodial risk by obtaining collateral for all uninsured amounts on deposit and necessary documentation to show compliance.

RICE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 3 RECEIVABLES

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

	<u>Major Funds</u>		<u>Total</u>
	<u>General</u>	<u>509 Planning Fund</u>	
Deferred special assessments	\$ -	\$172,292	\$172,292
Special deferred special assessments	-	195,817	195,817
Delinquent special assessments	-	3,924	3,924
Delinquent property taxes	2,200	24,100	26,300
Total	<u>\$2,200</u>	<u>\$396,133</u>	<u>\$398,333</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>Property Taxes</u>	<u>Special Assessments</u>	<u>Total</u>
General Fund	\$4,816	\$ -	\$4,816
509 Planning Fund	52,746	623,585	676,331
Totals	<u>\$57,562</u>	<u>\$623,585</u>	<u>\$681,147</u>

RICE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 5 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in process - wetland credits	\$421,080	\$ -	\$ -	\$421,080
Land and permanent easements	818,713	-	-	818,713
Total capital assets, not being depreciated	<u>1,239,793</u>	<u>0</u>	<u>0</u>	<u>1,239,793</u>
Capital assets, being depreciated (owned assets):				
Vehicles	163,032	-	-	163,032
Equipment	347,042	41,741	(107,544)	281,239
Infrastructure	817,771	-	-	817,771
Temporary easements	30,000	-	-	30,000
Total capital assets, being depreciated	<u>1,357,845</u>	<u>41,741</u>	<u>(107,544)</u>	<u>1,292,042</u>
Less accumulated depreciation for:				
Vehicles	109,057	9,671	-	118,728
Equipment	255,712	26,068	(107,544)	174,236
Infrastructure	140,984	32,711	-	173,695
Temporary easements	23,500	500	-	24,000
Total accumulated depreciation	<u>529,253</u>	<u>68,950</u>	<u>(107,544)</u>	<u>490,659</u>
Total owned capital assets being depreciated, net	<u>828,592</u>	<u>(27,209)</u>	<u>-</u>	<u>801,383</u>
Right-to-use lease assets, being amortized:				
Lease asset - office space	465,025	624,057	-	1,089,082
Total lease assets, being amortized	<u>465,025</u>	<u>624,057</u>	<u>0</u>	<u>1,089,082</u>
Less accumulated amortization for:				
Lease asset - office space	384,848	100,979	-	485,827
Total accumulated amortization	<u>384,848</u>	<u>100,979</u>	<u>0</u>	<u>485,827</u>
Total lease assets, net	<u>80,177</u>	<u>523,078</u>	<u>-</u>	<u>603,255</u>
Governmental activities capital assets - net	<u>\$2,148,562</u>	<u>\$495,869</u>	<u>\$0</u>	<u>\$2,644,431</u>

Depreciation expense on owned capital assets and amortization expense on lease assets were charged to function/programs of the District as follows:

Governmental activities:	
General government	\$100,979
Programs	68,950
Total depreciation and amortization expense - governmental activities	<u>\$169,929</u>

Note 6 DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION

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

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

B. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

The General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989 receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first ten years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

C. CONTRIBUTIONS

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

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50% for General Plan members. The District's contributions to the General Employees Fund for the year ended December 31, 2025 were \$104,157. The District's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

At December 31, 2025, the District reported a liability of \$488,822 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$11,792.

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0148% at the end of the measurement period and 0.0130% for the beginning of the period.

District's proportionate share of the net pension liability	\$488,822
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>11,792</u>
Total	<u><u>\$500,614</u></u>

For the year ended December 31, 2025, the District recognized pension expense of \$24,802 for its proportionate share of the General Plan's pension expense. In addition, the District recognized an additional (\$1,809) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

RICE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$46,979	\$ -
Changes in actuarial assumptions	11,777	116,942
Net difference between projected and actual earnings on pension plan investments	-	182,186
Changes in proportion	105,890	33,564
Employer contributions subsequent to the measurement date	<u>52,084</u>	<u>-</u>
Total	<u>\$216,730</u>	<u>\$332,692</u>

The \$52,084 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2026	(37,410)
2027	(50,660)
2028	(45,231)
2029	(34,745)
2030	-
Thereafter	-

The net pension liability will be liquidated by the general fund.

E. ACTUARIAL METHODS AND ASSUMPTIONS

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

Inflation	2.25% per year
Investment Rate of Return	7.00%

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

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

Salary growth assumptions in the General Plan range in annual increments from 11.50% after one year of service to 3.0% after 27 years of service.

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

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

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25.0%	0.75%
Private markets	25.0%	5.90%
Total	100%	

F. DISCOUNT RATE

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

G. PENSION LIABILITY SENSITIVITY

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Proportionate share of the General Plan net pension liability	\$1,187,272	\$488,822	(\$77,778)

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.

RICE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 7 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2025, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	509 Planning Special <u>Revenue Fund</u>
Nonspendable:		
Prepaid items	\$19,900	\$30,811
Committed for:		
60-15 SW Management C-S	-	1,081,985
80-15 Municipal Public Drainage System Maintenance	-	107,871
90-01 Water Quality Grant Program	-	121,550
99-60 Project Anticipation - Restoration	-	4,700,000
99-80 Project Anticipation - Ditch & Creek	-	2,283,523
99-90 Project Anticipation - Lake & Stream	-	200,000
99-95 Project Anticipation - District Facility	-	200,000
Total Committed Fund Balance:	<u>0</u>	<u>8,694,929</u>
Assigned for:		
60-01 Anoka Chain of Lakes WMP	-	259,924
60-03 Lower Rice Creek WMP	-	87,314
60-04 Middle Rice Creek WMP	-	117,401
60-06 Bald Eagle Lake WMP	-	86,570
60-08 RCD 2,3&5 WMP	-	603,091
60-11 Regional Water Management PP	-	58,461
60-24 Southwest Urban Lakes Imp	-	74,739
60-29 Clear Lake WMP	-	138,672
60-35 Stormwater Master Plan	-	53,623
60-36 Municipal CIP early coordination	-	9,237
60-37 Groundwater management & stormwater reuse	-	61,858
80-01 Natural Waterway Management	-	12,943
80-02 Ditch Maintenance	-	254,779
80-03 Repair reports & studies	-	81,308
80-08 RCD 4 repair	-	2,330
80-21 AWJD 3 Repair	-	18,112
80-23 ACD 15 & AWJD 4	-	480,666
80-25 ACD 53-62 Repair	-	228,007
90-04 Surface Water Monitoring	-	38,021
90-26 Common Carp Management	-	11,201
90-27 Curly Leaf Pond Management	-	44,599
Communication and outreach	-	198,970
Information management	-	322,389
Regulatory purposes	-	1,585,504
District facilities	-	717,363
Lake and stream management	-	369,728
Ditch and creek maintenance	-	516,849
Restoration	-	879,793
Total Assigned Fund Balance:	<u>0</u>	<u>7,313,452</u>
Restricted for:		
60-05 Bald Eagle Lake WMD	-	25,689
80-06 ACD 46 WMD	-	23,267
Total Restricted Fund Balance:	<u>0</u>	<u>48,956</u>
Unassigned*		
80-05 ACD 31 WMD	-	(6,926)
80-07 RCD 4 WMD	-	(47,578)
80-24 ACD 53-62 WMD	-	(55,632)
General Fund	<u>403,281</u>	<u>-</u>
Total Unassigned Fund Balance:	403,281	(110,136)
Total	<u>\$423,181</u>	<u>\$15,978,012</u>

*Deficit fund balances in WMD projects will be eliminated with future restricted revenue collections

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

The District has formally adopted a policy regarding minimum unassigned and assigned fund balances. The most significant revenue source of the District is property taxes. The revenue source is received in two installments during the year – June and December. As such, it is the District’s goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy establishes a year end targeted unassigned fund balance (General Fund) and assigned fund balance (509 Planning Fund) amount for cash flow timing needs of not less than 40% of the subsequent year’s budgeted operating expenditures. At December 31, 2025, the unassigned fund balance of the General Fund was 75% of the subsequent year’s budgeted expenditures. The assigned fund balance of the 509 Planning Fund was sufficient to meet policy requirements.

Note 8 FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The District receives financial assistance from federal, state and local 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 any of the financial statements of the individual fund types included herein or on the overall financial position of the District at December 31, 2025.

Note 9 COMPENSATED ABSENCES PAYABLE

Compensated absences activity for the year ended December 31, 2025 was as follows:

	<u>Balance</u> 12/31/2024	<u>Net</u> <u>Change</u>	<u>Balance</u> 12/31/2025	<u>Due Within</u> <u>One Year</u>
Compensated absences payable	\$77,613	\$46,090	\$123,703	\$112,572

Note 10 LEASE LIABILITY

The District has a lease agreement for office space, including related garage space, that was originally scheduled to expire on October 31, 2025. During 2025, the lease was modified to extend the lease term through October 31, 2030. The modification did not reduce the District’s right to use the leased assets and was accounted for as a lease remeasurement. As a result, the lease liability was remeasured using the District’s incremental borrowing rate of 2 percent, with a corresponding adjustment to the related right-to-use lease asset.

<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Modifications &</u> <u>Remeasurements</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
\$87,565	\$ -	\$624,057	(\$116,877)	\$594,745

RICE CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

The future minimum lease liability and the net present value of the related payments as of December 31, 2025 was as follows:

Year Ending December 31	Principal Payments	Interest Payments
2026	105,570	10,031
2027	120,107	8,692
2028	125,371	6,242
2029	130,814	3,685
2030	112,883	1,037
Total	<u>\$594,745</u>	<u>\$29,687</u>

Note 11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions 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 the LMCIT. The District is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the District is not subject to a deductible. 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. The District is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess various amounts. The District retains risk for deductible portions. These deductibles are considered immaterial to the financial statements.

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. Any pending claims against the District are expected to be fully covered by the District's insurance.

Note 12 CONTINGENCIES

In settlement agreements approved in 2005, the District committed that when development occurs on two tracts then owned by the Metro Shooting Center and Trost, the application of the District's wetland rules will not have the result of affording the owner for the Metro Shooting parcel fewer than 100 contiguous non-wetland acres for development, and the owner of the Trost parcel no fewer than 45 such acres. If additional wetland replacement/mitigation is required under regulatory programs administered by the District to attain the stated acreage, the District will bear the cost of that replacement/mitigation. The District is unable at this time to estimate the District expense if and when the liability should arise.

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

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

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RICE CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2025
With Comparative Actual Amounts For The Year Ended December 31, 2024

Statement 6

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget - Positive (Negative)	2024 Actual Amounts
	Original	Final			
Revenues:					
General property taxes:					
Current and delinquent:					
Ramsey County	\$241,188	\$241,188	\$236,154	(\$5,034)	\$236,114
Anoka County	160,055	\$160,055	\$156,715	(3,340)	147,878
Washington County	105,324	\$105,324	\$103,126	(2,198)	99,880
Hennepin County	3,600	3,600	3,525	(75)	3,521
Total general property taxes	510,167	510,167	499,520	(10,647)	487,393
Intergovernmental	-	-	123	123	129
Investment income	25,105	25,105	102,793	77,688	116,268
Total revenues	535,272	535,272	602,436	67,164	603,790
Expenditures:					
Current:					
Hydrological engineering	58,250	58,250	45,607	12,643	41,106
Legal	50,000	50,000	41,419	8,581	34,698
Wages	262,968	262,968	246,857	16,111	242,193
Manager's per diem	33,000	33,000	25,625	7,375	26,875
Manager's travel and expense	9,000	9,000	7,725	1,275	9,265
Audit and accounting	22,000	22,000	20,324	1,676	19,023
Contract services	26,000	26,000	13,209	12,791	18,648
Insurance	8,000	8,000	7,380	620	6,554
Office expense	14,455	14,455	12,485	1,970	8,430
Publication information and education	10,700	10,700	3,290	7,410	3,781
Dues and memberships	15,899	15,899	15,158	741	13,286
Debt Service:					
Principal	25,000	25,000	23,379	1,621	20,197
Interest	-	-	567	(567)	572
Total expenditures	535,272	535,272	463,025	72,247	444,628
Revenues over (under) expenditures	-	-	139,411	139,411	159,162
Other financing sources (uses):					
Transfers out	(370,000)	(370,000)	(370,000)	-	-
Net change in fund balance	(\$370,000)	(\$370,000)	(230,589)	\$139,411	159,162
Fund balance - January 1			653,770		494,608
Fund balance - December 31			\$423,181		\$653,770

See accompanying notes to the required supplementary information.

RICE CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - 509 PLANNING SPECIAL REVENUE FUND
For The Year Ended December 31, 2025
With Comparative Actual Amounts For The Year Ended December 31, 2024

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget - Positive (Negative)	2024 Actual Amounts
	Original	Final			
Revenues:					
General property taxes:					
Current and delinquent:					
Ramsey County	\$2,663,359	\$2,663,359	\$2,607,778	(\$55,581)	\$2,681,030
Anoka County	1,767,439	1,767,439	1,730,554	(36,885)	1,678,949
Washington County	1,163,060	1,163,060	1,138,787	(24,273)	1,134,073
Hennepin County	39,757	39,757	38,927	(830)	39,984
Total general property taxes	<u>5,633,615</u>	<u>5,633,615</u>	<u>5,516,046</u>	<u>(117,569)</u>	<u>5,534,036</u>
Special assessments	85,038	85,038	88,801	3,763	23,617
Intergovernmental	60,000	60,000	174,124	114,124	528,927
Permits	61,200	61,200	135,856	74,656	85,614
Investment income	416,260	416,260	644,939	228,679	692,247
Miscellaneous	9,500	9,500	14,605	5,105	19,871
Total revenues	<u>6,265,613</u>	<u>6,265,613</u>	<u>6,574,371</u>	<u>308,758</u>	<u>6,884,312</u>
Expenditures:					
Planning and projects:					
Information management:					
Boundary management program	1,000	1,000	370	630	769
District-wide model	60,000	60,000	54,132	5,868	12,622
Database & viewer maintenance	60,000	60,000	36,664	23,336	26,678
District website	2,500	2,500	18,149	(15,649)	3,194
Communication & outreach:					
Water communication and outreach	14,000	14,000	6,250	7,750	11,899
Master water steward program	30,000	30,000	19,807	10,193	10,254
Outreach partnership	43,000	43,000	43,958	(958)	25,780
Mini-grants program	20,000	20,000	21,652	(1,652)	8,015
Engineering & technical support	3,000	3,000	-	3,000	3,677
Watershed plan maintenance	5,000	5,000	-	5,000	-
Restoration projects:					
Anoka Chain of Lakes water management project	160,000	160,000	5,795	154,205	490,993
Lower Rice Creek water management project	185,000	185,000	26,942	158,058	64,481
Middle Rice Creek water management project	100,000	100,000	-	100,000	-
Bald Eagle Lake WMD	28,272	28,272	2,797	25,475	3,517
Bald Eagle Lake water management project	100,000	100,000	62,234	37,766	16,634
RCD 2, 3 & 5 basic water management project	500,000	500,000	245,870	254,130	19,206
Regional water management partnership projects	54,000	54,000	17,787	36,213	-
Stormwater management cost share	1,106,433	1,106,433	486,254	620,179	22,702
Southwest urban lakes implementation	100,000	100,000	7,025	92,975	1,411
Clear Lake water quality	85,000	85,000	18,495	66,505	-
Stormwater master planning	35,000	35,000	17,941	17,059	33,451
Municipal CIP early coordination	10,000	10,000	420	9,580	4,625
Groundwater management & stormwater reuse	55,000	55,000	2,310	52,690	40,638
Regulatory:					
Rule revision & permit guidance	50,000	50,000	431	49,569	37,844
Permit review, inspection & coordination	925,000	925,000	637,875	287,125	597,534

See accompanying notes to the required supplementary information.

RICE CREEK WATERSHED DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - 509 PLANNING SPECIAL REVENUE FUND
 For The Year Ended December 31, 2025
 With Comparative Actual Amounts For The Year Ended December 31, 2024

Statement 7
Page 2 of 2

Expenditures: (continued)	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget - Positive (Negative)	2024 Actual Amounts
	Original	Final			
Ditch and creek maintenance:					
Municipal public drainage system maintenance	\$50,000	\$50,000	\$ -	\$50,000	\$ -
Repair reports & studies	160,000	160,000	124,681	35,319	199,457
Ditches - maintenance	345,000	345,000	326,943	18,057	326,871
Natural waterway management	10,000	10,000	-	10,000	-
ACD 10-22-32 WMD	14,361	14,361	15,743	(1,382)	-
ACD 46 WMD	41,016	41,016	5,759	35,257	11,990
RCD 4 WMD	94,538	94,538	15,556	78,982	133,423
RCD 4 repair	48,000	48,000	7,614	40,386	89,649
AWJD 3 repair	-	-	546	(546)	268,772
ACD 15 & AWJD 4	248,370	248,370	18,367	230,003	3
ACD 53-62 WMD	354,000	354,000	19,364	334,636	13,799
ACD 53-62 repair	246,000	246,000	31,632	214,368	29,359
District facilities:					
District facilities repair	311,000	311,000	38,337	272,663	-
Inspection, operation & maintenance	112,000	112,000	121,294	(9,294)	105,675
Lake and stream management:					
Water quality grant program	281,646	281,646	164,009	117,637	179,095
Surface water monitoring program	240,000	240,000	206,492	33,508	221,061
Common carp management	200,000	200,000	146,573	53,427	120,304
Curly leaf pondweed management	50,000	50,000	10,483	39,517	7,427
Total projects and planning	<u>6,538,136</u>	<u>6,538,136</u>	<u>2,986,551</u>	<u>3,551,585</u>	<u>3,142,809</u>
Capital outlay	41,741	41,741	41,741	-	64,129
Administrative:					
Employee education	36,050	36,050	16,241	19,809	20,939
Legal fees	20,050	20,050	5,302	14,748	9,016
Staff travel	4,125	4,125	3,273	852	2,644
Office expense	436,536	436,536	214,914	221,622	241,544
Payroll taxes	100,078	100,078	90,382	9,696	76,774
Rent	-	-	5	(5)	-
Salaries and wages	1,598,626	1,598,626	1,469,200	129,426	1,234,724
Total administrative	<u>2,195,465</u>	<u>2,195,465</u>	<u>1,799,317</u>	<u>396,148</u>	<u>1,585,641</u>
Debt service:					
Principal	100,000	100,000	93,498	6,502	80,796
Interest	-	-	2,266	(2,266)	2,282
Total debt service	<u>100,000</u>	<u>100,000</u>	<u>95,764</u>	<u>4,236</u>	<u>83,078</u>
Total expenditures	<u>8,875,342</u>	<u>8,875,342</u>	<u>4,923,373</u>	<u>3,951,969</u>	<u>4,875,657</u>
Revenues over (under) expenditures	<u>(\$2,609,729)</u>	<u>(\$2,609,729)</u>	<u>1,650,998</u>	<u>\$4,260,727</u>	<u>2,008,655</u>
Other financing sources (uses):					
Proceeds from sale of capital assets	-	-	-	-	59,650
Transfers in	370,000	370,000	370,000	-	-
Total other financing sources (uses)	<u>370,000</u>	<u>370,000</u>	<u>370,000</u>	<u>-</u>	<u>59,650</u>
Net change in fund balance	<u>(\$2,239,729)</u>	<u>(\$2,239,729)</u>	<u>2,020,998</u>	<u>\$4,260,727</u>	<u>2,068,305</u>
Fund balance - January 1			<u>13,957,014</u>		<u>11,888,709</u>
Fund balance - December 31			<u>\$15,978,012</u>		<u>\$13,957,014</u>

See accompanying notes to the required supplementary information.

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

Statement 8

Measurement Date June 30	Fiscal Year Ending December 31	District's Proportionate (Percentage) of the Net Pension Liability	District's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with District (a+b)	Covered Payroll (c)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	2016	0.0116%	\$941,862	\$12,247	\$954,109	\$719,843	132.5%	68.9%
2017	2017	0.0115%	734,152	9,210	743,362	739,145	100.6%	75.9%
2018	2018	0.0121%	671,258	22,024	693,282	814,170	85.2%	79.5%
2019	2019	0.0119%	657,924	20,499	678,423	844,687	80.3%	80.2%
2020	2020	0.0121%	725,450	22,239	747,689	860,483	86.9%	79.1%
2021	2021	0.0122%	520,995	15,818	536,813	876,721	61.2%	87.0%
2022	2022	0.0127%	1,005,844	29,551	1,035,395	953,338	108.6%	76.7%
2023	2023	0.0125%	698,986	19,202	718,188	991,735	72.4%	83.1%
2024	2024	0.0130%	478,792	12,381	491,173	1,096,114	44.8%	89.1%
2025	2025	0.0148%	488,822	11,792	500,614	1,335,940	37.5%	90.8%

See accompanying notes to the required supplementary information.

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

Statement 9

Fiscal Year Ending December 31	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2016	\$52,836	\$52,836	\$ -	\$704,475	7.5%
2017	59,502	59,502	-	793,365	7.5%
2018	62,890	62,890	-	838,543	7.5%
2019	63,344	63,344	-	844,589	7.5%
2020	65,413	65,413	-	872,181	7.5%
2021	67,107	67,107	-	894,765	7.5%
2022	73,669	73,669	-	982,241	7.5%
2023	79,171	79,171	-	1,055,613	7.5%
2024	89,469	89,469	-	1,192,923	7.5%
2025	104,157	104,157	-	1,388,763	7.5%

See accompanying notes to the required supplementary information.

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Note A LEGAL COMPLIANCE – BUDGETS

The General Fund and 509 Planning Special Revenue Fund budgets are 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 both funds.

Note B PENSION INFORMATION

PERA – General Employees Retirement Fund

2025 Changes in Actuarial Assumptions:

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

2025 Changes in Plan Provisions:

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

2024 Changes in Actuarial Assumptions:

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

2024 Changes in Plan Provisions:

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

2023 Changes in Actuarial Assumptions:

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

2023 Changes in Plan Provisions:

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

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

2022 Changes in Actuarial Assumptions:

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

2021 Changes in Actuarial Assumptions:

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

2020 Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2020 Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes in Actuarial Assumptions:

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

2019 Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 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.

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

2018 Changes in Plan Provisions:

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

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 annual 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 years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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INDIVIDUAL FUND FINANCIAL STATEMENTS

RICE CREEK WATERSHED DISTRICT
BALANCE SHEET
GENERAL FUND
December 31, 2025
With Comparative Amounts For December 31, 2024

Statement 10

	<u>2025</u>	<u>2024</u>
Assets:		
Cash and investments	\$2,143,581	\$2,366,365
Accrued interest receivable	-	51,394
Property taxes receivable:		
Delinquent	4,816	5,470
Due from county	3,308	2,820
Prepaid items	<u>19,900</u>	<u>19,947</u>
 Total assets	 <u><u>\$2,171,605</u></u>	 <u><u>\$2,445,996</u></u>
 Liabilities, deferred inflow of resources, and fund balance		
Liabilities:		
Accounts payable	\$118,751	\$16,299
Deposits payable	<u>1,624,857</u>	<u>1,770,457</u>
Total liabilities	<u><u>1,743,608</u></u>	<u><u>1,786,756</u></u>
 Deferred inflow of resources:		
Unavailable revenue	<u>4,816</u>	<u>5,470</u>
 Fund balance:		
Nonspendable	19,900	19,947
Unassigned	<u>403,281</u>	<u>633,823</u>
Total fund balance	<u><u>423,181</u></u>	<u><u>653,770</u></u>
 Total liabilities, deferred inflow of resources, and fund balance	 <u><u>\$2,171,605</u></u>	 <u><u>\$2,445,996</u></u>

RICE CREEK WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
For The Year Ended December 31, 2025
With Comparative Amounts For The Year Ended December 31, 2024

Statement 11

	<u>2025</u>	<u>2024</u>
Revenues:		
General property taxes	\$499,520	\$487,393
Intergovernmental	123	129
Investment income	102,793	116,268
Total revenues	<u>602,436</u>	<u>603,790</u>
Expenditures:		
Current:		
General government	439,079	423,859
Debt service:		
Principal	23,379	20,197
Interest	567	572
Total expenditures	<u>463,025</u>	<u>444,628</u>
Revenues over expenditures	<u>139,411</u>	<u>159,162</u>
Other financing sources (uses):		
Transfers out	<u>(370,000)</u>	<u>-</u>
Net change in fund balance	<u>(230,589)</u>	<u>159,162</u>
Fund balance - January 1	<u>653,770</u>	<u>494,608</u>
Fund balance - December 31	<u><u>\$423,181</u></u>	<u><u>\$653,770</u></u>

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SUPPLEMENTARY FINANCIAL INFORMATION

RICE CREEK WATERSHED DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL

Exhibit 1

509 PLANNING FUND - COMMUNICATION & OUTREACH - 30

For The Year Ended December 31, 2025 With Comparative Actual Amounts For The Year Ended December 31, 2024

	2025		Actual	Variance with Final Budget - Positive (Negative)	2024 Actual
	Budgeted Amounts				
	Original	Final			
Revenues:					
General property taxes	\$251,566	\$251,566	\$246,316	(\$5,250)	\$222,035
Intergovernmental	-	-	4,015	4,015	58
Investment income	14,323	14,323	22,191	7,868	22,518
Total revenues	<u>265,889</u>	<u>265,889</u>	<u>272,522</u>	<u>6,633</u>	<u>244,611</u>
Expenditures:					
General government:					
Administration	177,889	177,889	149,418	28,471	151,827
Programs:					
Watershed communication & outreach	14,000	14,000	6,250	7,750	11,899
Master water steward program	30,000	30,000	19,807	10,193	10,254
Outreach partnership	43,000	43,000	43,958	(958)	25,780
Mini-grants program	20,000	20,000	21,652	(1,652)	8,015
Engineering & technical support	3,000	3,000	-	3,000	3,677
Watershed plan maintenance	5,000	5,000	-	5,000	-
Debt Service:					
Principal	12,500	12,500	11,687	813	10,099
Interest	-	-	283	(283)	285
Total expenditures	<u>305,389</u>	<u>305,389</u>	<u>253,055</u>	<u>52,334</u>	<u>221,836</u>
Revenues over expenditures	<u>(39,500)</u>	<u>(39,500)</u>	<u>19,467</u>	<u>58,967</u>	<u>22,775</u>
Other financing sources (uses)					
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(\$119,500)</u>	<u>(\$119,500)</u>	<u>(60,533)</u>	<u>\$58,967</u>	<u>22,775</u>
Fund balance - January 1			<u>290,314</u>		<u>267,539</u>
Fund balance - December 31			<u>\$229,781</u>		<u>\$290,314</u>

RICE CREEK WATERSHED DISTRICT

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL

Exhibit 2

509 PLANNING FUND - INFORMATION MANAGEMENT - 35

For The Year Ended December 31, 2025 With Comparative Actual Amounts For The Year Ended December 31, 2024

	2025		Actual	Variance with Final Budget - Positive (Negative)	2024 Actual
	Budgeted Amounts				
	Original	Final			
Revenues:					
General property taxes	\$261,193	\$261,193	\$255,743	(\$5,450)	\$252,428
Intergovernmental	-	-	64	64	16,964
Investment income	14,821	14,821	22,964	8,143	24,031
Total revenues	<u>276,014</u>	<u>276,014</u>	<u>278,771</u>	<u>2,757</u>	<u>293,423</u>
Expenditures:					
General government:					
Administration	169,024	169,024	114,309	54,715	99,378
Programs:					
Boundary management program	1,000	1,000	370	630	769
District-wide model	60,000	60,000	54,132	5,868	12,622
Database & viewer maintenance	60,000	60,000	36,664	23,336	26,678
District website	2,500	2,500	18,149	(15,649)	3,194
Capital outlay	17,240	17,240	17,240	-	26,550
Debt Service:					
Principal	6,250	6,250	5,844	406	5,050
Interest	-	-	142	(142)	143
Total expenditures	<u>316,014</u>	<u>316,014</u>	<u>246,850</u>	<u>69,164</u>	<u>174,384</u>
Revenues over expenditures	<u>(40,000)</u>	<u>(40,000)</u>	<u>31,921</u>	<u>71,921</u>	<u>119,039</u>
Other financing sources (uses)					
Transfers out	<u>(133,000)</u>	<u>(133,000)</u>	<u>(133,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(\$173,000)</u>	<u>(\$173,000)</u>	<u>(101,079)</u>	<u>\$71,921</u>	<u>119,039</u>
Fund balance - January 1			<u>423,468</u>		<u>304,429</u>
Fund balance - December 31			<u>\$322,389</u>		<u>\$423,468</u>

RICE CREEK WATERSHED DISTRICT

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL

Exhibit 3

509 PLANNING FUND - RESTORATION PROJECTS - 60

For The Year Ended December 31, 2025 With Comparative Actual Amounts For The Year Ended December 31, 2024

	2025			Variance with Final Budget - Positive (Negative)	2024 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Revenues:					
General property taxes	\$885,775	\$885,775	\$867,290	(\$18,485)	\$1,218,262
Special assessments	-	-	-	-	223
Intergovernmental	30,000	30,000	159,432	129,432	454,343
Investment income	137,070	137,070	212,371	75,301	191,894
Total revenues	<u>1,052,845</u>	<u>1,052,845</u>	<u>1,239,093</u>	<u>186,248</u>	<u>1,864,722</u>
Expenditures:					
General government:					
Administration	391,346	391,346	305,680	85,666	218,295
Programs:					
Anoka Chain of Lakes water management project	160,000	160,000	5,795	154,205	490,993
Lower Rice Creek water management project	185,000	185,000	26,942	158,058	64,481
Middle Rice Creek water management project	100,000	100,000	-	100,000	-
Bald Eagle Lake WMD	28,272	28,272	2,797	25,475	3,517
Bald Eagle Lake water management project	100,000	100,000	62,234	37,766	16,634
RCD 2, 3 & 5 basic water management project	500,000	500,000	245,870	254,130	19,206
Regional water management partnership projects	54,000	54,000	17,787	36,213	-
Stormwater management cost share	1,106,433	1,106,433	486,254	620,179	22,702
Southwest urban lakes implementation	100,000	100,000	7,025	92,975	1,411
Clear Lake water quality	85,000	85,000	18,495	66,505	-
Stormwater master planning	35,000	35,000	17,941	17,059	33,451
Municipal CIP early coordination	10,000	10,000	420	9,580	4,625
Groundwater management & stormwater reuse	55,000	55,000	2,310	52,690	40,638
Capital outlay	-	-	-	-	5,761
Debt Service:					
Principal	12,500	12,500	11,687	813	10,099
Interest	-	-	283	(283)	285
Total expenditures	<u>2,922,551</u>	<u>2,922,551</u>	<u>1,211,520</u>	<u>1,711,031</u>	<u>932,098</u>
Net change in fund balance	<u>(\$1,869,706)</u>	<u>(\$1,869,706)</u>	27,573	<u>\$1,897,279</u>	<u>932,624</u>
Fund balance - January 1			<u>3,510,784</u>		<u>2,578,160</u>
Fund balance - December 31			<u>\$3,538,357</u>		<u>\$3,510,784</u>

RICE CREEK WATERSHED DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
509 PLANNING FUND - REGULATORY - 70
For The Year Ended December 31, 2025 With Comparative Actual Amounts For The Year Ended December 31, 2024

Exhibit 4

	2025		Actual	Variance with Final Budget - Positive (Negative)	2024 Actual
	Budgeted Amounts				
	Original	Final			
Revenues:					
General property taxes	\$1,181,055	\$1,181,055	\$1,156,407	(\$24,648)	\$1,276,662
Intergovernmental	-	-	285	285	11,263
Investment income	73,432	73,432	113,772	40,340	140,985
Licenses and permits	61,200	61,200	135,856	74,656	85,614
Miscellaneous	-	-	-	-	71
Total revenues	<u>1,315,687</u>	<u>1,315,687</u>	<u>1,406,320</u>	<u>90,633</u>	<u>1,514,595</u>
Expenditures:					
General government:					
Administration	559,437	559,437	503,141	56,296	436,427
Programs:					
Rule revision & permit guidance	50,000	50,000	431	49,569	37,844
Permit review, inspection & coordination	925,000	925,000	637,875	287,125	597,534
Capital outlay	-	-	-	-	5,761
Debt Service:					
Principal	31,250	31,250	29,219	2,031	25,250
Interest	-	-	708	(708)	713
Total expenditures	<u>1,565,687</u>	<u>1,565,687</u>	<u>1,171,374</u>	<u>394,313</u>	<u>1,103,529</u>
Revenues over (under) expenditures	<u>(250,000)</u>	<u>(250,000)</u>	<u>234,946</u>	<u>484,946</u>	<u>411,066</u>
Other financing sources (uses)					
Transfers in	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(\$90,000)</u>	<u>(\$90,000)</u>	<u>394,946</u>	<u>\$484,946</u>	<u>411,066</u>
Fund balance - January 1			<u>1,190,558</u>		<u>779,492</u>
Fund balance - December 31			<u>\$1,585,504</u>		<u>\$1,190,558</u>

RICE CREEK WATERSHED DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL

Exhibit 5

509 PLANNING FUND - DITCH AND CREEK MAINTENANCE - 80

For The Year Ended December 31, 2025 With Comparative Actual Amounts For The Year Ended December 31, 2024

	2025				2024
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues:					
General property taxes	\$1,403,854	\$1,403,854	\$1,374,556	(\$29,298)	\$1,190,648
Special assessments	85,038	85,038	88,801	3,763	23,394
Intergovernmental	30,000	30,000	9,929	(20,071)	45,934
Investment income	91,714	91,714	142,098	50,384	154,298
Miscellaneous	9,500	9,500	14,605	5,105	19,800
Total revenues	<u>1,620,106</u>	<u>1,620,106</u>	<u>1,629,989</u>	<u>9,883</u>	<u>1,434,074</u>
Expenditures:					
General government:					
Administration	319,988	319,988	248,436	71,552	239,602
Programs:					
Municipal Public Drainage System Maintenance	50,000	50,000	-	50,000	-
Repair reports & studies	160,000	160,000	124,681	35,319	199,457
Ditches - maintenance	345,000	345,000	326,943	18,057	326,871
Natural waterway management	10,000	10,000	-	10,000	-
ACD 10-22-32 WMD	14,361	14,361	15,743	(1,382)	-
ACD 46 WMD	41,016	41,016	5,759	35,257	11,990
RCD 4 WMD	94,538	94,538	15,556	78,982	133,423
RCD 4 repair	48,000	48,000	7,614	40,386	89,649
AWJD 3 repair	-	-	546	(546)	268,772
ACD 15 & AWJD 4	248,370	248,370	18,367	230,003	3
ACD 53-62 WMD	354,000	354,000	19,364	334,636	13,799
ACD 53-62 repair	246,000	246,000	31,632	214,368	29,359
Capital outlay	5,460	5,460	5,460	-	5,761
Debt Service:					
Principal	18,750	18,750	17,531	1,219	15,149
Interest	-	-	425	(425)	428
Total expenditures	<u>1,955,483</u>	<u>1,955,483</u>	<u>838,057</u>	<u>1,117,426</u>	<u>1,334,263</u>
Revenues over (under) expenditures	<u>(335,377)</u>	<u>(335,377)</u>	<u>791,932</u>	<u>1,127,309</u>	<u>99,811</u>
Other financing sources (uses)					
Transfers out	<u>(906,434)</u>	<u>(906,434)</u>	<u>(906,434)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(\$1,241,811)</u>	<u>(\$1,241,811)</u>	<u>(114,502)</u>	<u>\$1,127,309</u>	<u>99,811</u>
Fund balance - January 1			<u>1,730,498</u>		<u>1,571,037</u>
Fund balance - December 31			<u>\$1,615,996</u>		<u>\$1,730,498</u>

RICE CREEK WATERSHED DISTRICT

SCHEDULE OF REVENUES AND EXPENDITURES -

Exhibit 6

BUDGET AND ACTUAL

509 PLANNING FUND - LAKE AND STREAM MANAGEMENT - 90

For The Year Ended December 31, 2025 With Comparative Actual Amounts For The Year Ended December 31, 2024

	2025				
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	2024 Actual
	Original	Final			
Revenues:					
General property taxes	\$1,026,552	\$1,026,552	\$1,005,129	(\$21,423)	\$904,456
Intergovernmental	-	-	248	248	240
Investment income	54,213	54,213	85,361	31,148	101,655
Total revenues	<u>1,080,765</u>	<u>1,080,765</u>	<u>1,090,738</u>	<u>9,973</u>	<u>1,006,351</u>
Expenditures:					
General government:					
Administration	365,224	365,224	315,823	49,401	275,626
Programs:					
Water quality grant program	281,646	281,646	164,009	117,637	179,095
Surface water monitoring program	240,000	240,000	206,492	33,508	221,061
Common carp management	200,000	200,000	146,573	53,427	120,304
Curly leaf pondweed management	50,000	50,000	10,483	39,517	7,427
Capital outlay	6,541	6,541	6,541	-	14,536
Debt Service:					
Principal	12,500	12,500	11,687	813	10,099
Interest	-	-	283	(283)	285
Total expenditures	<u>1,155,911</u>	<u>1,155,911</u>	<u>861,891</u>	<u>294,020</u>	<u>828,433</u>
Revenues over (under) expenditures	<u>(75,146)</u>	<u>(75,146)</u>	<u>228,847</u>	<u>303,993</u>	<u>177,918</u>
Other financing sources (uses)					
Transfers out	<u>(803,221)</u>	<u>(803,221)</u>	<u>(803,221)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u><u>(\$878,367)</u></u>	<u><u>(\$878,367)</u></u>	<u><u>(574,374)</u></u>	<u><u>\$303,993</u></u>	<u><u>177,918</u></u>
Fund balance - January 1			<u>1,159,473</u>		<u>981,555</u>
Fund balance - December 31			<u><u>\$585,099</u></u>		<u><u>\$1,159,473</u></u>

RICE CREEK WATERSHED DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
509 PLANNING FUND - DISTRICT FACILITIES - 95

Exhibit 7

For The Year Ended December 31, 2025 With Comparative Actual Amounts For The Year Ended December 31, 2024

	2025			Variance with Final Budget - Positive (Negative)	2024 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Revenues:					
General property taxes	\$623,620	\$623,620	\$610,605	(\$13,015)	\$469,545
Intergovernmental	-	-	151	151	125
Investment income	30,687	30,687	46,182	15,495	56,866
Total revenues	<u>654,307</u>	<u>654,307</u>	<u>656,938</u>	<u>2,631</u>	<u>526,536</u>
Expenditures:					
General government:					
Administration	212,557	212,557	162,510	50,047	164,486
Programs:					
District facilities repair	311,000	311,000	38,337	272,663	-
Inspection, operation & maintenance	112,000	112,000	121,294	(9,294)	105,675
Capital outlay	12,500	12,500	12,500	-	5,760
Debt Service:					
Principal	6,250	6,250	5,843	407	5,050
Interest	-	-	142	(142)	143
Total expenditures	<u>654,307</u>	<u>654,307</u>	<u>340,626</u>	<u>313,681</u>	<u>281,114</u>
Revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>316,312</u>	<u>316,312</u>	<u>245,422</u>
Other financing sources (uses)					
Transfers out	<u>(750,868)</u>	<u>(750,868)</u>	<u>(750,868)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(\$750,868)</u>	<u>(\$750,868)</u>	<u>(434,556)</u>	<u>\$316,312</u>	<u>245,422</u>
Fund balance - January 1			<u>1,151,919</u>		<u>906,497</u>
Fund balance - December 31			<u>\$717,363</u>		<u>\$1,151,919</u>

RICE CREEK WATERSHED DISTRICT

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL

509 PLANNING FUND - PROJECT ANTICIPATION FUND - 99

For The Year Ended December 31, 2025 With Comparative Actual Amounts For The Year Ended December 31, 2024

Exhibit 8

	2025			Variance with Final Budget - Positive (Negative)	2024 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Other financing sources (uses):					
Transfers in	\$2,883,523	\$2,883,523	\$2,883,523	\$ -	\$ -
Net change in fund balance	<u>\$2,883,523</u>	<u>\$2,883,523</u>	2,883,523	<u>\$0</u>	0
Fund balance - January 1			4,500,000		4,500,000
Fund balance - December 31			<u>\$7,383,523</u>		<u>\$4,500,000</u>

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OTHER INFORMATION – UNAUDITED

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RICE CREEK WATERSHED DISTRICT
TAX LEVY AND REVENUE BY COUNTY
2016 Through 2025

Exhibit 9

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Ramsey County	\$2,255,190	\$2,260,135	\$2,244,642	\$2,380,608	\$2,682,100	\$2,784,025	\$2,765,785	\$2,877,215	\$2,917,144	\$2,843,932
Anoka County	1,200,535	1,175,521	1,215,977	1,287,817	1,434,715	1,543,088	1,556,638	1,644,027	1,826,827	1,887,269
Washington County	870,937	867,386	848,569	920,932	1,008,834	1,060,719	1,047,202	1,107,578	1,233,953	1,241,913
Hennepin County	30,239	34,244	32,838	34,135	37,345	39,970	39,638	44,232	43,505	42,452
Total	4,356,901	4,337,286	4,342,026	4,623,492	5,162,994	5,427,802	5,409,263	5,673,052	6,021,429	6,015,566
Minnesota State Aid - Market Value Credit	1,579	1,453	1,272	1,351	1,432	1,432	1,450	1,430	1,593	1,484
Total revenue	\$4,358,480	\$4,338,739	\$4,343,298	\$4,624,843	\$5,164,426	\$5,429,234	\$5,410,713	\$5,674,482	\$6,023,022	\$6,017,050
Levy amount - per RCWD budget	\$4,383,000	\$4,383,000	\$4,383,000	\$4,710,392	\$5,181,376	\$5,181,376	\$5,409,299	\$5,458,494	\$6,099,752	\$6,143,783
Collection percentage	99.4%	99.0%	99.1%	98.2%	99.7%	104.8%	100.0%	104.0%	98.7%	97.9%

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OTHER REQUIRED REPORTS

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REPORT ON INTERNAL CONTROL

To the Honorable Managers of
Rice Creek Watershed District
Blaine, Minnesota

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the Board of Managers, management, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Redpath and Company LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

March 30, 2026



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MINNESOTA LEGAL COMPLIANCE REPORT

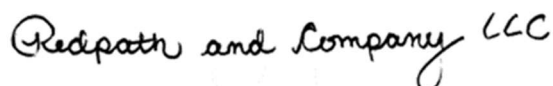
To the Honorable Managers of
Rice Creek Watershed District
Blaine, Minnesota

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 Rice Creek Watershed District as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Rice Creek Watershed District's basic financial statements, and have issued our report thereon dated March 30, 2026.

In connection with our audit, we noted that Rice Creek Watershed District failed to comply with provisions of the claims and disbursements section of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute § 6.65, insofar as they relate to accounting matters as described in the schedule of findings and responses as item 2025-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that Rice Creek Watershed District failed to comply with the provisions of the contracting– bid laws, depositories of public funds and public investments, conflicts of interest and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Rice Creek Watershed District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Rice Creek Watershed District's response to the findings identified in our audit is described in the schedule of findings and responses as item 2025-001. Rice Creek Watershed District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

This report is intended solely for the information and use of those charged with governance and management of Rice 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.

A handwritten signature in black ink that reads "Redpath and Company LLC".

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

March 30, 2026



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2025-001 Prompt Payment of Local Government Bills

Criteria: Minnesota State Statutes require prompt payment of local government bills.
MS 471.425 Subd. 2. Reads in part:

Subd. 2. Payment required.

A municipality must pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period unless the municipality in good faith disputes the obligation.

...

(a) For municipalities who have governing boards which have regularly scheduled meetings at least once a month, the standard payment period is defined as within 35 days of the date of receipt.

Condition: During the course of our audit, we identified two maintenance invoices from November and December 2024 which were not paid until February 2025.

Cause: Our understanding is that the invoices were not provided to the office manager for payment.

Effect: The District is not in compliance with Minnesota State Statute 471.425.

Recommendation: We recommend the District establish procedures to ensure all invoices are provided to the office manager promptly upon receipt so that payment can be issued within the statutory timeframe.

Management Response: District management acknowledges the finding. The delayed payments occurred because the invoices were not routed to the Office Manager for processing in a timely manner. The Office Manager's process is for staff to have all electronic invoices sent directly to the Office Manager for processing. Management has reminded staff of this process and will continue to monitor it to help ensure vendor obligations are paid within the required timeframe.

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