# ANNUAL FINANCIAL REPORT

COON CREEK WATERSHED DISTRICT
HAM LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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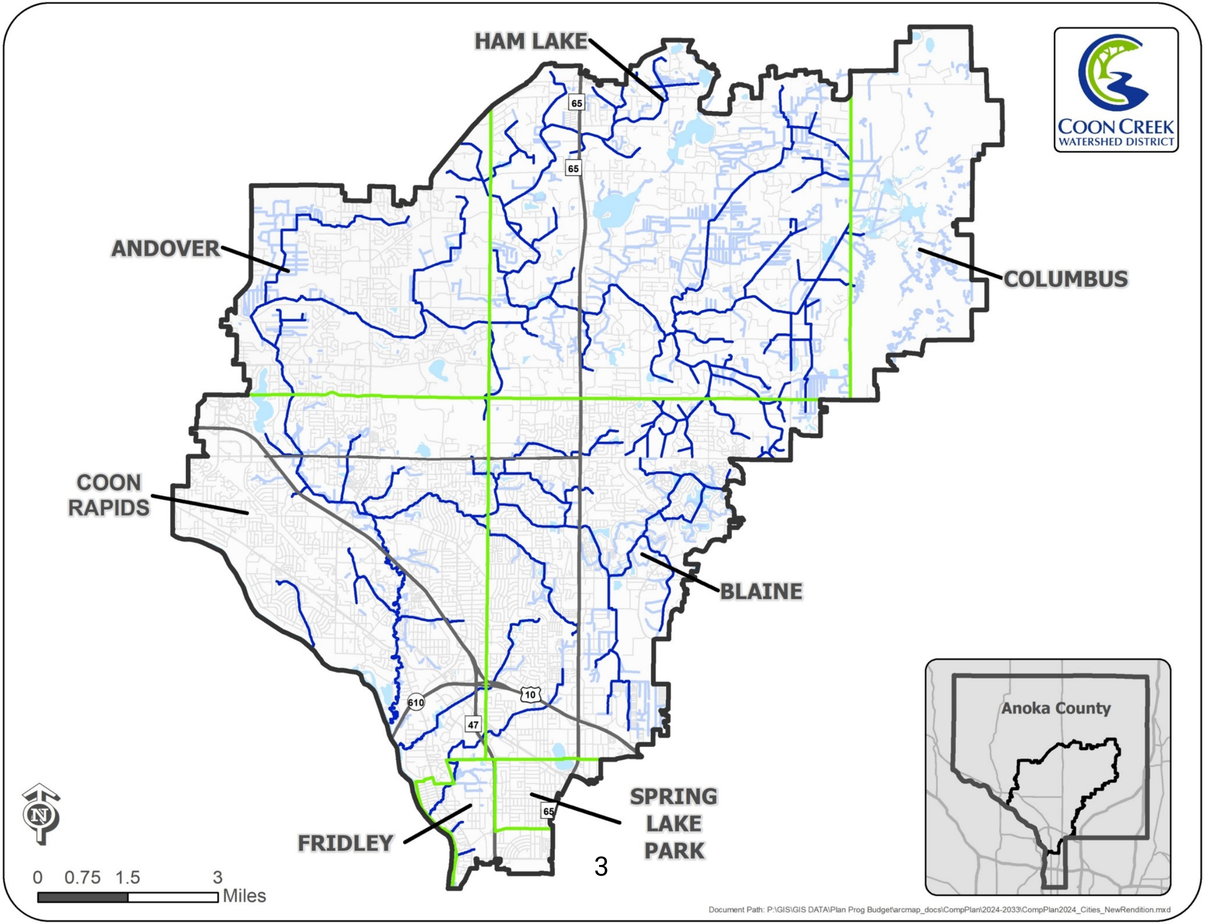
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Coon Creek Watershed District
Ham Lake, Minnesota
Annual Financial Report
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For the Year Ended December 31, 2025


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INTRODUCTORY SECTION

COON CREEK WATERSHED DISTRICT
HAM LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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Coon Creek Watershed District
Ham Lake, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2025

| Name | Title | Term Expires |
|---|---|---|
| Jim Hafner | President | May 27, 2026 |
| Erin Lind | Vice President | May 27, 2026 |
| Jason Lund | Secretary | May 27, 2028 |
| Mary Campbell | Treasurer | May 27, 2028 |
| Dwight McCullough | At-Large | May 27, 2027 |
| | | |
| Tim Kelly* | District Administrator | |

* Retired December 31, 2025

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FINANCIAL SECTION

COON CREEK WATERSHED DISTRICT
HAM LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

# Independent Auditor's Report

Board of Managers
Coon Creek Watershed District
Ham Lake, Minnesota

## Report on the Audit of the Financial Statements

### Opinions

We have audited the financial statements of the governmental activities and the General Fund of Coon Creek Watershed District as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Coon 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 the 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.

### 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 the 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



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that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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 the 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; and

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Public Employees Retirement Association General Employees Retirement Fund schedules, and Notes to the Required Supplementary Information 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.

## Other Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Introductory Section 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.

Julie Blaha
State Auditor

Lisa Young, CPA
Deputy State Auditor

June 15, 2026

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## Management's Discussion and Analysis (Unaudited)
## For the Year Ended December 31, 2025

As management of the Coon Creek Watershed District, Ham Lake, Minnesota, (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2025.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure 1**
**Required Components of the**
**District's Annual Financial Report**

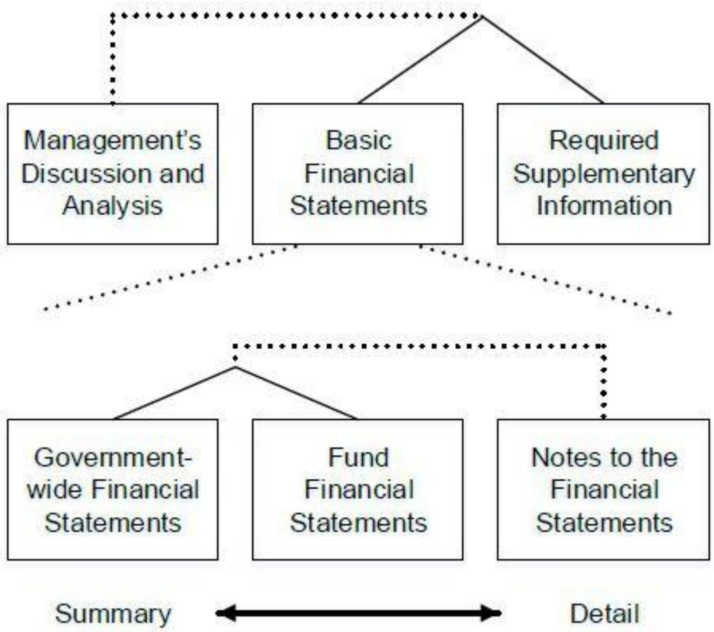


Figure 2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each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

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

| | Fund Financial Statements | |
|---|---|---|
| | **Government-wide Statements** | **Governmental Funds** |
| Scope | Entire District | The activities of the District |
| Required financial statements | • Statement of Net Position<br>• Statement of Activities | • Balance Sheet<br>• Statement of Revenues, Expenditures, and Changes in Fund Balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | All assets except capital assets expected to be used up and liabilities that come due during the year or soon thereafter. |
| Type of deferred outflows/inflows of resources information | All deferred outflows/inflows of resources, regardless of when cash is received or paid | Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter |

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

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

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

The government-wide financial statements start on page 24 of this report.

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

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

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

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

The basic governmental fund financial statements start on page 28 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 33 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 50 of this report

**Government-wide Financial Analysis**

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

A portion of the District's net position reflects its investment in capital assets (e.g., land, buildings and structures, and machinery and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

## Coon Creek Watershed District's Net Position

| | Governmental Activities | | |
|---|---|---|---|
| | 2025 | 2024 | Increase (Decrease) |
| **Assets** | | | |
| Current and other assets | $ 7,096,122 | $ 5,475,945 | $ 1,620,177 |
| Capital assets | 1,125,596 | 1,082,310 | 43,286 |
| Total Assets | 8,221,718 | 6,558,255 | 1,663,463 |
| **Deferred Outflows of Resources** | | | |
| Deferred pension resources | 174,218 | 194,531 | (20,313) |
| **Liabilities** | | | |
| Noncurrent liabilities outstanding | 650,764 | 785,643 | (134,879) |
| Current and other liabilities | 2,158,243 | 2,279,017 | (120,774) |
| Total Liabilities | 2,809,007 | 3,064,660 | (255,653) |
| **Deferred Inflows of Resources** | | | |
| Deferred pension resources | 370,801 | 403,002 | (32,201) |
| **Net Position** | | | |
| Investment in capital assets | 1,125,596 | 1,082,310 | 43,286 |
| Unrestricted | 4,090,532 | 2,202,814 | 1,887,718 |
| Total Net Position | $ 5,216,128 | $ 3,285,124 | $ 1,931,004 |
| **Net Position as a Percentage of Total** | | | |
| Investment in capital assets | 21.6 % | 32.9 % | |
| Unrestricted | 78.4 | 67.1 | |
| Total Net Position | 100.0 % | 100.0 % | |

The remaining balance of *unrestricted net position* may be used to meet the District's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the District is able to report positive balances in both categories of net position.

**Governmental Activities**. Governmental activities increased the District's net position as shown below.

## Coon Creek Watershed District's Changes in Net Position

| | Governmental Activities | | |
|---|---|---|---|
| | 2025 | 2024 | Increase (Decrease) |
| Revenues | | | |
| Program Revenues | | | |
| Fees, charges, fines, and other | $ 189,634 | $ 256,301 | $ (66,667) |
| Operating grants and contributions | 800,087 | 172,751 | 627,336 |
| General revenues | | | |
| Taxes | 6,162,362 | 4,950,576 | 1,211,786 |
| Unrestricted investment earnings | 202,704 | 198,713 | 3,991 |
| Gain on sale of capital assets | 3,000 | - | 3,000 |
| Total Revenues | 7,357,787 | 5,578,341 | 1,779,446 |
| Expenses | | | |
| Conservation of natural resources | 5,426,783 | 3,967,710 | 1,459,073 |
| Change in Net Position | 1,931,004 | 1,610,631 | 320,373 |
| Net Position, January 1 | 3,285,124 | 1,674,493 | 1,610,631 |
| Net Position, December 31 | $ 5,216,128 | $ 3,285,124 | $ 1,931,004 |

Key elements of this increase are as follows:

- Increases in Operating Grants and Contributions revenues due to additional grants received
- Increases in Tax revenues due to levy increases
- Increase in expenses related to Conservation of Natural Resources professional services needed

***Increases in Intergovernmental Grant Revenues***

The District received federal funding for a one time grant revenue for Nonpoint Source Implementation related to the Clean Water Act. The District also received more state grant revenues compared to prior year, mostly due to the Minnesota Board of Water and Soil Resources grant for similar activity relating to Clean Water Act.

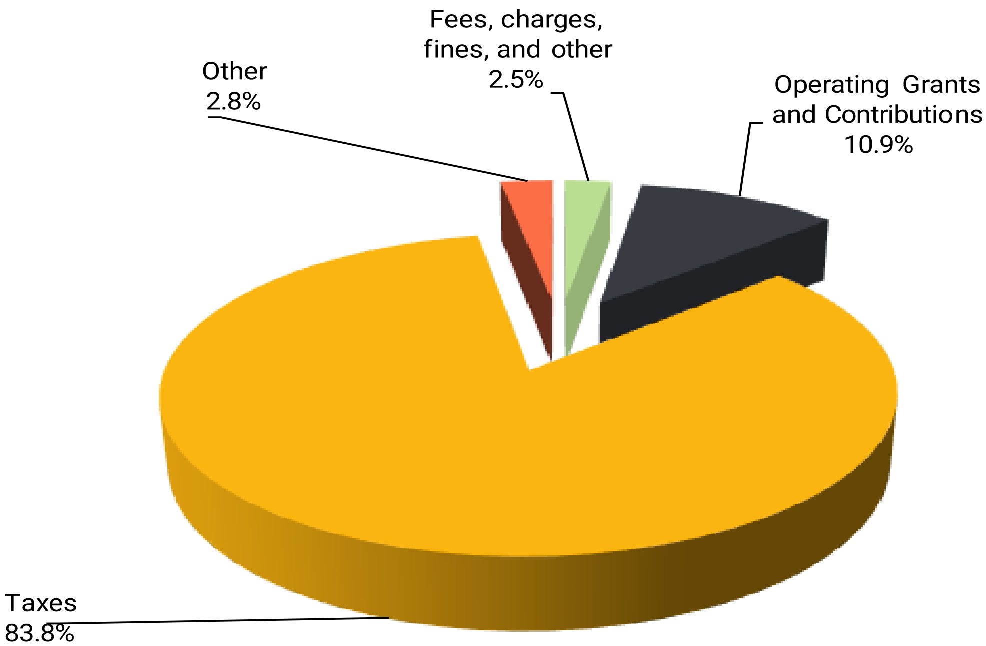
***Growth in Tax Revenues***

Increases in tax revenues relate to increased inflation and general increase in cost of services.

***Growth in Conservation of Natural Resources Expenses***

Increases in conservation of natural resources expenses relate to increased costs for wages and benefits and an increase in engineering fees for restoration projects.

## Revenue by Source - Governmental Activities




**Financial Analysis of the District's Funds**

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

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

| | Current Year Ending Balance | Prior Year Ending Balance | Increase/ (Decrease) |
|---|---|---|---|
| Fund Balance | | | |
| Nonspendable for prepaids | $ 28,282 | $ 28,814 | $ (532) |
| Unassigned | 4,811,771 | 3,035,195 | 1,776,576 |
| Total Fund Balance | $ 4,840,053 | $ 3,064,009 | $ 1,776,044 |
| General Fund expenditures | $ 5,616,836 | $ 3,998,029 | |
| Total Fund Balance as a percent of expenditures | 86.2% | 76.6% | |

As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance as shown above. Additional information on the District's fund balances can be found in Note 1 starting on page 37 of this report.

The *General fund* is the chief operating fund of the District. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart above along with total fund balance as a percent of total expenditures.

**Capital Asset and Debt Administration**

**Capital Assets**. The District's investment in capital assets for its governmental activities as of December 31, 2025 is shown below. This investment in capital assets includes land, buildings and structures, and machinery and equipment.

Major capital asset events during the current fiscal year consisted of building improvements as well as purchases of office furniture & equipment.

## Coon Creek Watershed District Capital Assets
(Net of Depreciation)

| | Governmental Activities | | |
|---|---|---|---|
| | 2025 | 2024 | Increase (Decrease) |
| Land | $ 142,000 | $ 142,000 | $ - |
| Buildings and structures | 783,121 | 820,734 | (37,613) |
| Machinery and equipment | 200,475 | 119,576 | 80,899 |
| Total | $ 1,125,596 | $ 1,082,310 | $ 43,286 |
| Percent Increase/(Decrease) | | | 4.0% |

Additional information on the District's capital assets can be found in Note 3B starting on page 41 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The District relies on property tax levies, authorized by state statutes, for a significant portion of its revenue.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Administrator, Jon Janke, 13632 Van Buren Street NE, Ham Lake, Minnesota 55304.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COON CREEK WATERSHED DISTRICT
HAM LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

# Coon Creek Watershed District

Ham Lake, Minnesota

Statement of Net Position

December 31, 2025

| | Governmental Activities |
|---|---|
| **Assets** | |
| Cash and temporary investments | $ 5,137,918 |
| Cash held for developers | 1,566,405 |
| Receivables | |
| Taxes | 53,326 |
| Due from other governments | 310,191 |
| Prepaid items | 28,282 |
| Capital assets | |
| Nondepreciable assets | 142,000 |
| Depreciable assets (net of accumulated depreciation) | 983,596 |
| Total Assets | 8,221,718 |
| **Deferred Outflows of Resources** | |
| Deferred pension resources | 174,218 |
| **Liabilities** | |
| Accounts payable | 132,542 |
| Escrow payable | 1,566,405 |
| Accrued salaries payable | 10,210 |
| Due to other governments | 63,401 |
| Unearned revenue | 385,685 |
| Noncurrent liabilities | |
| Due within one year | |
| Compensated absences | 100,451 |
| Due in more than one year | |
| Compensated absences | 30,310 |
| Net pension liability | 520,003 |
| Total Liabilities | 2,809,007 |
| **Deferred Inflows of Resources** | |
| Deferred pension resources | 370,801 |
| **Net Position** | |
| Investment in capital assets | 1,125,596 |
| Unrestricted | 4,090,532 |
| Total Net Position | $ 5,216,128 |

The notes to the financial statements are an integral part of this statement.

# Coon Creek Watershed District
Ham Lake, Minnesota
Statement of Activities
For the Year Ended December 31, 2025

| Functions/Programs | Expenses | Program Revenues: Fees, Charges, Fines, and Other | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expenses) Revenues and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Conservation of natural resources | $ 5,426,783 | $ 189,634 | $ 800,087 | $ - | $ (4,437,062) |
| General Revenues | | | | | |
| Taxes | | | | | |
| Property taxes, levied for general purposes | | | | | 6,162,362 |
| Unrestricted investment earnings | | | | | 202,704 |
| Gain on sale of assets | | | | | 3,000 |
| Total General Revenues | | | | | 6,368,066 |
| Change in Net Position | | | | | 1,931,004 |
| Net Position, January 1 | | | | | 3,285,124 |
| Net Position, December 31 | | | | | $ 5,216,128 |

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

COON CREEK WATERSHED DISTRICT
HAM LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

# Coon Creek Watershed District
Ham Lake, Minnesota
Balance Sheet
Governmental Fund
December 31, 2025

| | | General |
|---|---|---|
| **Assets** | | |
| Cash and temporary investments | $ | 5,137,918 |
| Cash held for developers | | 1,566,405 |
| Taxes receivable | | 53,326 |
| Due from other governments | | 310,191 |
| Prepaid items | | 28,282 |
| Total Assets | $ | 7,096,122 |
| **Liabilities** | | |
| Accounts payable | $ | 132,542 |
| Escrow payable | | 1,566,405 |
| Accrued salaries payable | | 10,210 |
| Due to other governments | | 63,401 |
| Unearned revenue | | 385,685 |
| Total Liabilities | | 2,158,243 |
| **Deferred Inflows of Resources** | | |
| Unavailable revenues - taxes | | 53,326 |
| Unavailable revenues - grants | | 44,500 |
| Total Deferred Inflows of Resources | | 97,826 |
| **Fund Balances** | | |
| Nonspendable for prepaids | | 28,282 |
| Unassigned | | 4,811,771 |
| Total Fund Balances | | 4,840,053 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $ | 7,096,122 |

The notes to the financial statements are an integral part of this statement.

# Coon Creek Watershed District
Ham Lake, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
December 31, 2025

Amounts reported for the governmental activities in the statement of net position are different because

| | |
|---|---|
| Total Fund Balances - Governmental | $ 4,840,053 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. | |
| Cost of capital assets | 1,546,949 |
| Less: accumulated depreciation | (421,353) |
| Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of | |
| Compensated absences payable | (130,761) |
| Net pension liability | (520,003) |
| Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds. | |
| Taxes receivable | 53,326 |
| Grants | 44,500 |
| Governmental funds do not report long-term amounts related to pensions. | |
| Deferred outflows of resources | 174,218 |
| Deferred inflows of resources | (370,801) |
| Total Net Position - Governmental Activities | $ 5,216,128 |

The notes to the financial statements are an integral part of this statement.

# Coon Creek Watershed District
Ham Lake, Minnesota
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2025

| | General |
|---|---|
| Revenues | |
| Taxes | $ 6,148,785 |
| Intergovernmental | 848,757 |
| Charges for services | 189,634 |
| Interest on investments | 202,704 |
| Total Revenues | 7,389,880 |
| | |
| Expenditures | |
| Current | |
| Conservation of natural resources | 5,498,816 |
| Capital outlay | |
| Conservation of natural resources | 118,020 |
| Total Expenditures | 5,616,836 |
| | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,773,044 |
| | |
| Other Financing Sources (Uses) | |
| Sale of capital assets | 3,000 |
| | |
| Net Change in Fund Balance | 1,776,044 |
| | |
| Fund Balance, January 1 | 3,064,009 |
| | |
| Fund Balance, December 31 | $ 4,840,053 |

The notes to the financial statements are an integral part of this statement.

## Coon Creek Watershed District
Ham Lake, Minnesota
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance
to the Statement of Activities
For the Year Ended December 31, 2025

Amounts reported for governmental activities in the statement of activities are different because

| | |
|---|---|
| Net Change in Fund Balance - Governmental Fund | $ 1,776,044 |
| Capital outlays are reported in the governmental fund as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. | |
| Capital outlays | 133,462 |
| Depreciation expense | (90,176) |
| Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period. | |
| Property taxes | 13,577 |
| Grants | (48,670) |
| 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 fund. | |
| Compensated absences | 48,586 |
| Current year change in deferred pension outflows, net pension liability, and deferred pension inflows. | 98,181 |
| Change in Net Position - Governmental Activities | $ 1,931,004 |

The notes to the financial statements are an integral part of this statement.

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## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

The Coon Creek Watershed District was organized in 1959 under the provisions of Minn.Stat. ch. 103D; additional powers and duties are contained in Minn. Stat. chs. 103E and 103B.

The purpose of the District is to provide water management within its geographic boundaries. The watershed is 107 square miles in size and includes those lands within the drainage area, or watershed, of Coon Creek. The Creek's drainage involves portions of the communities of Andover, Blaine, Columbus, Coon Rapids, Ham Lake, Fridley, and Spring Lake Park. The headwaters of the Creek are in the Carlos Avery Wildlife Management Area in Columbus. The Creek flows 17 miles and enters the Mississippi River downstream from the Coon Rapids Dam in Coon Rapids. In addition to existing water problems, the District recognizes the need to prevent flooding and improve water quality. The District complies with the Metropolitan Water Management Act, the intent of which is to prevent water problems by preserving and using natural retention systems. The District is governed by a Board of Managers composed of five members appointed by the Anoka County Board of Commissioners for three-year terms.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the criteria above.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement activities) report information on all of the non-fiduciary activities of the District.

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

The District reports one governmental fund, the General Fund.

### 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

## Note 1: Summary of Significant Accounting Policies (Continued)

Charges for service, assessments to members, grants and interest associated with the current fiscal period are all considered susceptible to accrual and 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 organization.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlement and donations. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The District reports the following major governmental fund:

- The *General fund* is the Districts primary operating fund. It accounts for all financial resources of the general government.

### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position / Fund Balances

***Deposits and Investments***

The District’s cash and temporary investments are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

The District invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool. The District invests in MAGIC for the purpose of increasing earnings through investments.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated “A” or better; revenue obligations rated “AA” or better.

4. General obligations of the Minnesota Housing Finance Agency rated “A” or better.

## Note 1: Summary of Significant Accounting Policies (Continued)

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The broker money market accounts operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares. The District does not have a formal investment policy.

***Property Taxes***

The Board of Managers annually adopts a tax levy and certifies it to the County in December 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 1st and are recorded as receivables by the District at that date. Real property taxes are payable (by property owners) on May 15th and October 15th of each calendar year. Personal property taxes are payable by taxpayers on February 28th and June 30th of each year. These taxes are collected by the County and remitted to the District on or before July 7th and December 2nd of the same year. The District has no ability to enforce payments of property taxes by property owners. The County possesses this authority.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the fund financial statements.

***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The District uses the consumption method to account for all prepaid items.

***Capital Assets***

Capital assets, which include land, land improvements, easements, buildings, and machinery and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

## Note 1: Summary of Significant Accounting Policies (Continued)

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 of the District are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Useful Lives in Years |
|---|---|
| Buildings | 50 |
| Equipment | 3 to 20 |

***Deferred Outflows of Resources***

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

***Unearned Revenue***

The governmental fund and government-wide financial statements report unearned revenue in connection with resources that have been received, but not earned.

***Compensated Absences***

District employees are granted flexible time off (FTO) in varying amounts depending on length of service. Unused, accumulated FTO is paid to employees upon termination. District employees accrue up to a maximum 48 hours of Earned Sick and Safe Time (ESST) leave, which is capped at 80 hours. This leave is not paid out upon termination. The District provides extended medical benefits (EMB) to regular District employees. This leave will only accrue after the employee accumulated 48 hours of ESST in a calendar year or the employee's ESST bank reaches its cap of 80 hours. EMB is not payable as severance upon separation from employment with the District. The liability for compensated absences reported in the financial statements consists of unused accumulated FTO balances, and estimated future use of ESST and EMB hours. Leave is accrued as compensated absences when incurred in the government-wide financial statements. The amount payable at December 31, 2025, is $130,761.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30$^{th}$. 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. The General fund is used to liquidate the governmental net pension liability.

## Note 1: Summary of Significant Accounting Policies (Continued)

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and fund financial statements reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental fund reports unavailable revenues from delinquent property taxes receivable and state and local grants. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

The District has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

***Fund Balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

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

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board, which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained for specific purposes that are internally imposed. Assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority.

*Unassigned* - The residual classification for the General fund.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

a. Investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "investment in capital assets".

## Note 1: Summary of Significant Accounting Policies (Continued)

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

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Note 2: Stewardship, Compliance and Accountability

**Budgetary Information**

The Board of Managers adopts an annual budget for the General fund of the District on an annual basis. During the budget year, supplemental appropriations and deletions are or may be authorized by the Board. The modified accrual basis of accounting is used by the District for budgeting data. All appropriations end with the fiscal year for which they were made. The District does not use encumbrance accounting.

The District monitors budget performance on the fund basis. All amounts over budget have been approved by the Board through the disbursement process. There were no budget amendments in 2025.

## Note 3: Detailed Notes on All Funds

**A. Deposits and Investments**

***Deposits***

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

## Note 3: Detailed Notes on All Funds (Continued)

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

- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the District.

At year end, the District's carrying amount of deposits was a deficit $51,066 and the bank balance was $0. The bank balance was covered entirely by Federal depository insurance. The District also had petty cash of $250 at year end.

***Fair Value of Investments***

The Coon Creek Watershed District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

***Level 1***: Quoted prices for identical investments in active markets;

***Level 2***: Observable inputs other than quoted market prices; and,

***Level 3***: Unobservable inputs.

Coon Creek Watershed District has the following recurring fair value measurements as of December 31, 2025:
Investments measured at the net asset value (NAV):

| Types of Investments | Credit Quality/ Ratings (1) | Segmented Time Distribution (2) | Amount |
|---|---|---|---|
| Non-pooled Investments | | | |
| MAGIC Portfolio | NR | less than 6 months | $ 6,755,139 |

(1) Ratings are provided by Moody's and Standard & Poors agency where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.

(1) Ratings are provided by Moody's and Standard & Poor's agency where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
NR Indicates not rated.

## Note 3: Detailed Notes on All Funds (Continued)

The investments of the District are subject to the following risks:

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the District's investments to the list identified in Note 1D.

- *Custodial Credit Risk* is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have an investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.

- *Concentration of Credit Risk i*s the risk of loss attributed to the magnitude of a District's investment in a single issuer. The District places no limit on the amount that may be invested in any one issuer.

- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have an investment policy to address interest rate risk.

A reconciliation of cash and temporary investments as shown on the statement of net position for the District as follows:

| | |
|---|---|
| As reported on the financial statements | |
| Statement of net position | |
| Cash and temporary investments | $ 5,137,918 |
| Cash held for developers | 1,566,405 |
| Total | $ 6,704,323 |

## Note 3: Detailed Notes on All Funds (Continued)

### B. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | $ 142,000 | $ - | $ - | $ 142,000 |
| Capital Assets Being Depreciated | | | | |
| Buildings and structures | 982,372 | - | - | 982,372 |
| Machinery and equipment | 319,606 | 133,462 | (30,491) | 422,577 |
| Total Capital Assets Being Depreciated | 1,301,978 | 133,462 | (30,491) | 1,404,949 |
| Less Accumulated Depreciation for | | | | |
| Buildings and structures | (161,638) | (37,613) | - | (199,251) |
| Machinery and equipment | (200,030) | (52,563) | 30,491 | (222,102) |
| Total Accumulated Depreciation | (361,668) | (90,176) | 30,491 | (421,353) |
| Total Capital Assets Being Depreciated, Net | 940,310 | 43,286 | - | 983,596 |
| Governmental Activities Capital Assets, Net | $ 1,082,310 | $ 43,286 | $ - | $ 1,125,596 |

Depreciation expense of $90,176 was charged to the District's conservation of natural resources function.

### C. Long-term liabilities

Long-term liability activity for the year ended December 31, 2025 as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Compensated absences* | $ 179,347 | $ - | $ (48,586) | $ 130,761 | $ 100,451 |

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

## Note 4: Other Information

### A. Legal Debt Margin

In accordance with Minnesota statutes, the District may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the District. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The District has no debt subject to the limit.

### B. 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; injuries to employees; and natural disasters for which the District carries insurance. The District obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The District pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the District's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

## Note 5: Defined Benefit Pensions Plans - Statewide

### A. Plan Description

All full-time and certain part-time employees of Coon Creek Watershed District are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, while the Basic Plan and Minneapolis Employees Retirement Fund members are not covered. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members in 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after three years of credited service. No Coon Creek Watershed District employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

### B. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 1.50 percent. The 2025 annual increase was 1.25 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based on years of service and average high-five salary.

## Note 5: Defined Benefit Pensions Plans - Statewide (Continued)

### C. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2025. The employer was required to contribute 7.50 percent of annual covered salary in 2025. Rates did not change from 2024.

The District's contributions for the General Employees Plan for the year ended December 31, 2025, were $113,777. The contributions are equal to the statutorily required contributions as set by state statute.

### D. Pension Costs

At December 31, 2025, the District reported a liability of $520,003 for its proportionate share of the General Employees Plan's net pension liability. 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. At June 30, 2025, the District's proportion was 0.0157 percent. It was 0.0164 percent measured as of June 30, 2024. The District recognized pension expense of $17,128 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031. This contribution meets the definition of a special funding situation. The District recognized an additional $(988) as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

**Employer's Share of the Net Pension Liability and the State's Related Liability**
**As of December 31, 2025**

| Total General Employees Plan Net Pension Liability Associated with the District | | Amount |
|---|---|---|
| The District's proportionate share of the net pension liability | $ | 520,003 |
| State of Minnesota's proportionate share of the net pension liability associated with the District | | 6,444 |
| Total | $ | 526,447 |

## Note 5: Defined Benefit Pensions Plans - Statewide (Continued)

The District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Deferred Outflows of Resources and Deferred Inflows of Resources**
**As of December 31, 2025**

| Individual Deferred Outflows of Resources and Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 49,545 | $ - |
| Changes in actuarial assumptions | 12,529 | 119,651 |
| Difference between projected and actual investment earnings | - | 206,914 |
| Changes in proportion | 53,122 | 44,236 |
| Contributions paid to PERA subsequent to the measurement date | 59,022 | - |
| Total | $ 174,218 | $ 370,801 |

The $59,022 reported as deferred outflows of resources related to pensions resulting from 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:

**Schedule of Amortization of Deferred Outflows and Inflows of Resources**
**As of December 31, 2025**

| Year Ended December 31 | Pension Expense Amount |
|---|---|
| 2026 | $ (54,472) |
| 2027 | (82,112) |
| 2028 | (82,059) |
| 2029 | (36,962) |

### E. Actuarial Assumptions

The total pension liability in the June 30, 2025, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

**Actuarial Assumptions for the Year Ended June 30, 2025**

| Actuarial Assumptions | General Employees Plan |
|---|---|
| Inflation | 2.25% per year |
| Active Member Payroll Growth | 3.00% per year |
| Investment Rate of Return | 7.00% |

## Note 5: Defined Benefit Pensions Plans - Statewide (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.50 percent for the General Employees Plan. Actuarial assumptions used in the June 30, 2025, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 29, 2023. A review of inflation and investment assumptions dated June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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.

**Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class**

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 33.50% | 5.10% |
| International equity | 16.50% | 5.30% |
| Fixed income | 25.00% | 0.75% |
| Private markets | 25.00% | 5.90% |

### F. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2025, which remains consistent with 2024. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### G. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2025:

- The combined service annuity loading factors increased from 15 percent to 19 percent for vested terminated members and from 3 percent to 44 percent for non-vested, terminated members.

- The assumed post-retirement benefit increase changed from 1.25 percent to 1.5 percent.

- The post-retirement benefit increase formula changed to 100 percent of the Social Security annual increase, between 1 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85 percent for the last two consecutive annual valuations or is less than 80 percent in the most recent actuarial valuation, the maximum is reduced to 1.5 percent. Previously, the benefit increase was 50 percent of the Social Security annual increase, between 1 percent and 1.5 percent.

- The 1 percent additional employer contribution is eliminated when the plan reaches 98 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100 percent funded status.

## Note 5: Defined Benefit Pensions Plans - Statewide (Continued)

### H. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate.

**Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2025**

| Change in Discount Rate | General Employees Plan Discount Rate | General Employees Plan Net Pension Liability |
|---|---|---|
| 1% Decrease | 6.00% | $ 1,263,006 |
| Current | 7.00% | 520,003 |
| 1% Increase | 8.00% | (82,739) |

### I. 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 on the internet at www.mnpera.org.

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REQUIRED SUPPLEMENTARY INFORMATION

COON CREEK WATERSHED DISTRICT
HAM LAKE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

## Coon Creek Watershed District
Ham Lake, Minnesota
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
For the Year Ended December 31, 2025

| | Budgeted Amounts Original and Final | Actual Amounts | Variance with Final Budget |
|---|---|---|---|
| Revenues | | | |
| Taxes | $ 6,189,240 | $ 6,148,785 | $ (40,455) |
| Intergovernmental | 2,566,549 | 848,757 | (1,717,792) |
| Charges for services | 298,423 | 189,634 | (108,789) |
| Interest on investments | 115,000 | 202,704 | 87,704 |
| Total Revenues | 9,169,212 | 7,389,880 | (1,779,332) |
| Expenditures | | | |
| Current | | | |
| Personal services | 2,414,928 | 2,183,112 | (231,816) |
| Supplies | 291,040 | 194,283 | (96,757) |
| Professional services | 4,274,144 | 2,393,138 | (1,881,006) |
| Programs | 1,951,949 | 659,082 | (1,292,867) |
| Other services and chages | 79,202 | 69,201 | (10,001) |
| Capital outlay | 198,174 | 118,020 | (80,154) |
| Total Expenditures | 9,209,437 | 5,616,836 | (3,592,601) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (40,225) | 1,773,044 | 1,813,269 |
| Other Financing Sources (Uses) | | | |
| Sale of capital assets | - | 3,000 | 3,000 |
| Net Change in Fund Balances | (40,225) | 1,776,044 | 1,816,269 |
| Fund Balances, January 1 | 3,064,009 | 3,064,009 | - |
| Fund Balances, December 31 | $ 3,023,784 | $ 4,840,053 | $ 1,816,269 |

The notes to the required supplementary information are an integral part of this schedule.

**Notes to the Required Supplemental Information - Budgetary Reporting**

**A. Budgetary Comparison Schedule**

The budgetary comparison schedule presents the comparison of the original and legally amended budget with actual amounts on a departmental level for the General fund. The departmental level budgets are adopted on a basis consistent with generally accepted accounting principles. The fund balance reports revenue in the period in which they become measurable and available.

**B. Summary of Significant Budget Variances**

The General fund revenues and expenditures varied significantly from final budget amounts as noted below:

<u>Revenues</u>

- Intergovernmental revenue came in under budgeted amounts due to timing of projects and reimbursements.
- Charges for services came in under budgeted amounts due to timing of projects and charges to partners.
- Interest on investments came in under budgeted amounts due to conservative budgeting based on market uncertainty.

<u>Expenditures</u>

- Expenditures were under budgeted amounts mostly due timing of project costs.

**C. Budgetary Compliance**

There were no budgetary compliance violations for the fiscal year ending December 31, 2025.

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# Coon Creek Watershed District
Ham Lake, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

## Schedule of Employer's Proportionate Share of PERA Net Pension Liability - General Employees Retirement Fund

| Measurement Date | Employer's Proportion of the Net Pension Liability/Asset (%) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | State's Proportionate Share of the Net Pension Liability Associated with Coon Creek Watershed District (b) | Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b) | Covered Payroll (c) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c) (%) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (%) |
|---|---|---|---|---|---|---|---|
| 2025 | 0.0157 % | $ 520,003 | $ 6,444 | $ 526,447 | $ 1,421,160 | 36.59 % | 90.78 % |
| 2024 | 0.0164 | 606,296 | 22,675 | 628,971 | 1,336,133 | 45.38 | 86.70 |
| 2023 | 0.0145 | 810,824 | 100 | 810,924 | 1,154,587 | 70.23 | 83.10 |
| 2022 | 0.0151 | 1,195,925 | 5,239 | 1,201,164 | 1,127,560 | 106.06 | 76.70 |
| 2021 | 0.0146 | 621,656 | 18,984 | 640,640 | 897,388 | 69.27 | 87.00 |
| 2020 | 0.0111 | 663,406 | 20,457 | 683,863 | 788,977 | 84.08 | 79.00 |
| 2019 | 0.0099 | 544,711 | 1,268 | 545,979 | 697,144 | 78.13 | 80.20 |
| 2018 | 0.0089 | 495,193 | 3,788 | 498,981 | 600,013 | 82.53 | 79.50 |
| 2017 | 0.0087 | 553,115 | 6,955 | 560,070 | 558,148 | 99.10 | 75.90 |
| 2016 | 0.0077 | 627,526 | 2,444 | 629,970 | 479,601 | 130.84 | 68.90 |

*The measurement date for each year is June 30.*

## Schedule of Employer's PERA Contributions - General Employees Retirement Fund

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b - a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) (%) |
|---|---|---|---|---|---|
| 2025 | $ 113,777 | $ 113,777 | $ - | $ 1,517,027 | 7.50 % |
| 2024 | 106,587 | 106,587 | - | 1,421,160 | 7.50 |
| 2023 | 91,027 | 91,027 | - | 1,213,694 | 7.50 |
| 2022 | 83,667 | 83,667 | - | 1,115,560 | 7.50 |
| 2021 | 79,615 | 79,615 | - | 1,061,529 | 7.50 |
| 2020 | 70,462 | 70,462 | - | 939,495 | 7.50 |
| 2019 | 53,968 | 53,968 | - | 719,574 | 7.50 |
| 2018 | 49,785 | 49,785 | - | 663,795 | 7.50 |
| 2017 | 42,034 | 42,034 | - | 560,455 | 7.50 |
| 2016 | 38,748 | 38,748 | - | 516,649 | 7.50 |

*The District's year-end is December 31.*

**Notes to the Required Supplementary Information - General Employee Retirement Fund**

Changes in Actuarial Assumptions

*2025*

- The combined service annuity loading factors increased from 15 percent to 19 percent for vested terminated members and from 3 percent to 44 percent for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25 percent to 1.5 percent.
- The post-retirement benefit increase formula changed to 100 percent of the Social Security annual increase, between 1 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85 percent for the last two consecutive annual valuations or is less than 80 percent in the most recent actuarial valuation, the maximum is reduced to 1.5 percent. Previously, the benefit increase was 50 percent of the Social Security annual increase, between 1 percent and 1.5 percent.
- The 1 percent additional employer contribution is eliminated when the plan reaches 98 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100 percent funded status.

*2024*

- 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.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

**Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)**

*2023*

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of $170.1 million occurred on October 1, 2023.
- The vesting period for 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.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

*2022*

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

*2021*

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

*2020*

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 two to five 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 Employee 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 Retiree Mortality table, with adjustments.

**Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)**

- 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 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

*2019*

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

*2018*

- The mortality projection scale was changed from Scale MP-2015 to Scale MP-2017.

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

- 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 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Contribution stabilizer provisions were repealed.

- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 1.50 percent, 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 the Rule of 90 retirees, disability benefit recipients, or survivors.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)**

*2017*

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

*2016*

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.