

ANNUAL FINANCIAL REPORT

SOUTH WASHINGTON WATERSHED DISTRICT
WOODBURY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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South Washington Watershed District
Woodbury, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended December 31, 2025

	<u>Page No.</u>
Introductory Section	
Board of Managers and Appointed Officials	7
Financial Section	
Independent Auditor’s Report	11
Management’s Discussion and Analysis	15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	24
Statement of Activities	25
Fund Financial Statements	
Governmental Funds	
Balance Sheet	28
Reconciliation of the Balance Sheet to the Statement of Net Position	29
Statement of Revenues, Expenditures and Changes in Fund Balances	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	31
Notes to the Financial Statements	33
Required Supplementary Information	
Schedule of Employer’s Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	50
Schedule of Employer’s Public Employees Retirement Association Contributions - General Employees Retirement Fund	50
Notes to the Required Supplementary Information - General Employees Retirement Fund	51
Budgetary Comparison Schedules	
General Fund	53
Planning Fund	54
Notes to the Required Supplemental Information – Budgetary Reporting	55
Combining Schedules	
Planning and Implementation Fund	
Combining Balance Sheet	58
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	59
Other Required Report	
Independent Auditor’s Report on Minnesota Legal Compliance	63

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INTRODUCTORY SECTION
SOUTH WASHINGTON WATERSHED DISTRICT
WOODBURY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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South Washington Watershed District
Woodbury, Minnesota
Board of Managers and Appointed Officials
For the Year Ended December 31, 2025

BOARD OF MANAGERS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sharon Doucette	President	05/01/26
Emily Stephens	Vice President	05/01/27
Kevin ChapdeLaine	Treasurer	05/01/28
Mike Madigan	Secretary	05/01/28
David Filipiak	Manager	05/01/28

APPOINTED OFFICIALS

John Loomis	Administrator
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FINANCIAL SECTION
SOUTH WASHINGTON WATERSHED DISTRICT
WOODBURY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Board of Managers
South Washington Watershed District
Woodbury, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Washington Watershed District, Minnesota (the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the 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 (GAAS). 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's 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 these 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 the 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 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 it 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 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.
- 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 starting on page 15 and the Schedules of Employer's Share of the Net Pension Liability, Schedules of Employer's Contributions and related notes, the respective budgetary comparison schedules and related note disclosures, starting on page 50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining schedules 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 combining schedules 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 in the annual 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 statement 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.



Abdo
Minneapolis, Minnesota
May 6, 2026



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Management's Discussion and Analysis

As management of the South Washington Watershed District (the District), Woodbury, Minnesota, 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves.

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 combining and individual 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.

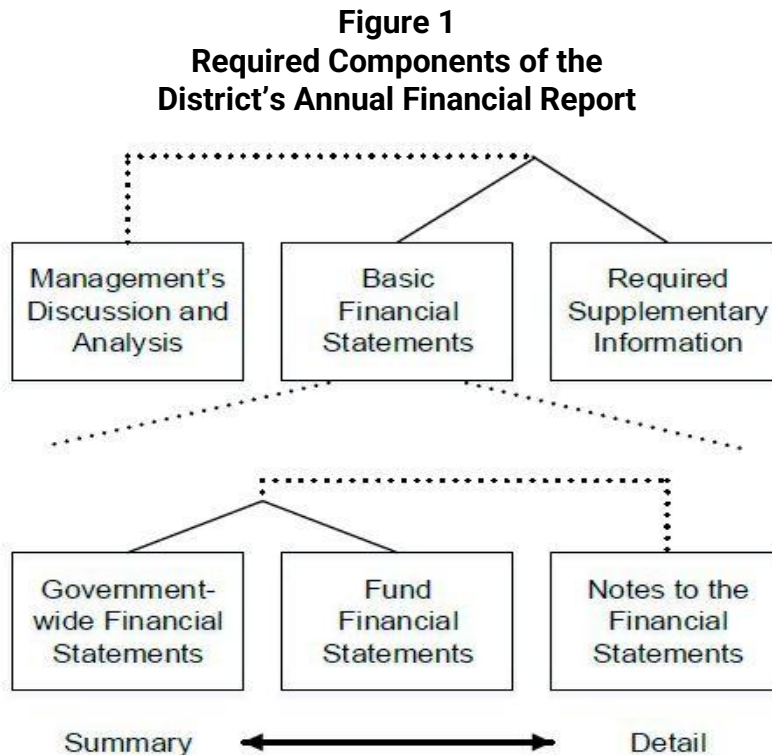


Figure 2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be 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 of resources, liabilities and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The governmental activities of the District include general government, program costs, project costs, and interest on long-term debt.

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 three governmental funds.

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 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. This report also presents certain required supplementary information concerning the progress in funding its obligation to provide pension to its employees and budgetary comparison schedules. Required supplementary information can be found starting 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 as shown in the Summary of Net Position below.

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land, land improvements, permanent easements, and vehicles); less any related debt used to acquire those assets that are still outstanding. These assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

South Washington Watershed District’s Summary of Net Position

	December 31,		Increase (Decrease)
	2025	2024	
Assets			
Current	\$ 11,369,747	\$ 11,812,238	\$ (442,491)
Capital assets, net	18,244,967	18,463,489	(218,522)
Total Assets	<u>29,614,714</u>	<u>30,275,727</u>	<u>(661,013)</u>
Deferred Outflows of Resources			
Pension resources	<u>65,993</u>	<u>65,386</u>	<u>607</u>
Liabilities			
Current	1,074,727	1,510,840	(436,113)
Noncurrent	1,924,797	2,241,539	(316,742)
Total Liabilities	<u>2,999,524</u>	<u>3,752,379</u>	<u>(752,855)</u>
Deferred Outflows of Resources			
Pension resources	<u>144,633</u>	<u>151,274</u>	<u>(6,641)</u>
Net Position			
Net investment in capital assets	16,535,608	16,482,259	53,349
Restricted	420,264	636,577	(216,313)
Unrestricted	<u>9,580,678</u>	<u>9,318,624</u>	<u>262,054</u>
Total Net Position	<u>\$ 26,536,550</u>	<u>\$ 26,437,460</u>	<u>\$ 99,090</u>
Net Position as a Percent of Total			
Net investment in capital assets	62.3 %	62.4 %	
Restricted	1.6	2.4	
Unrestricted	36.1	35.2	
	<u>100.0 %</u>	<u>100.0 %</u>	

An additional portion of the District’s net position represents resources that are subject to external restrictions on how they may be used. 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 all three categories of net position, for the District as a whole.

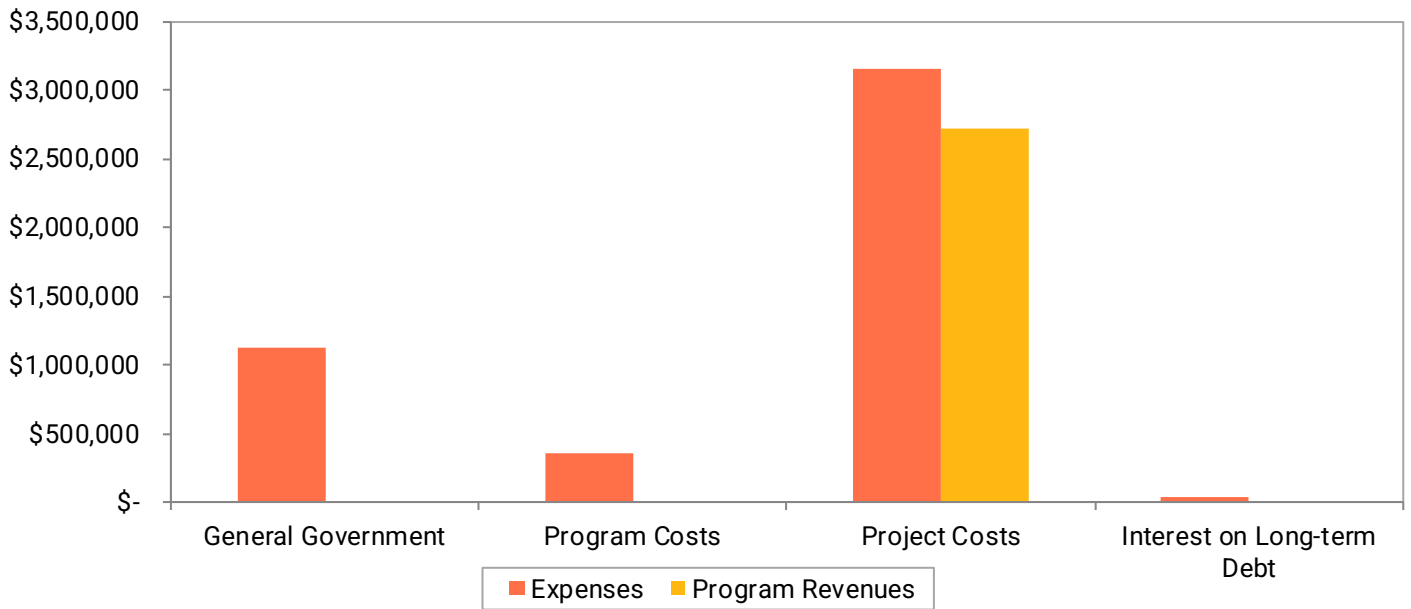
Governmental Activities. Governmental activities net position increased during the year. The main reason for the increase was revenues from charges for services and property taxes in excess of current year expenses.

South Washington Watershed District's Changes in Net Position

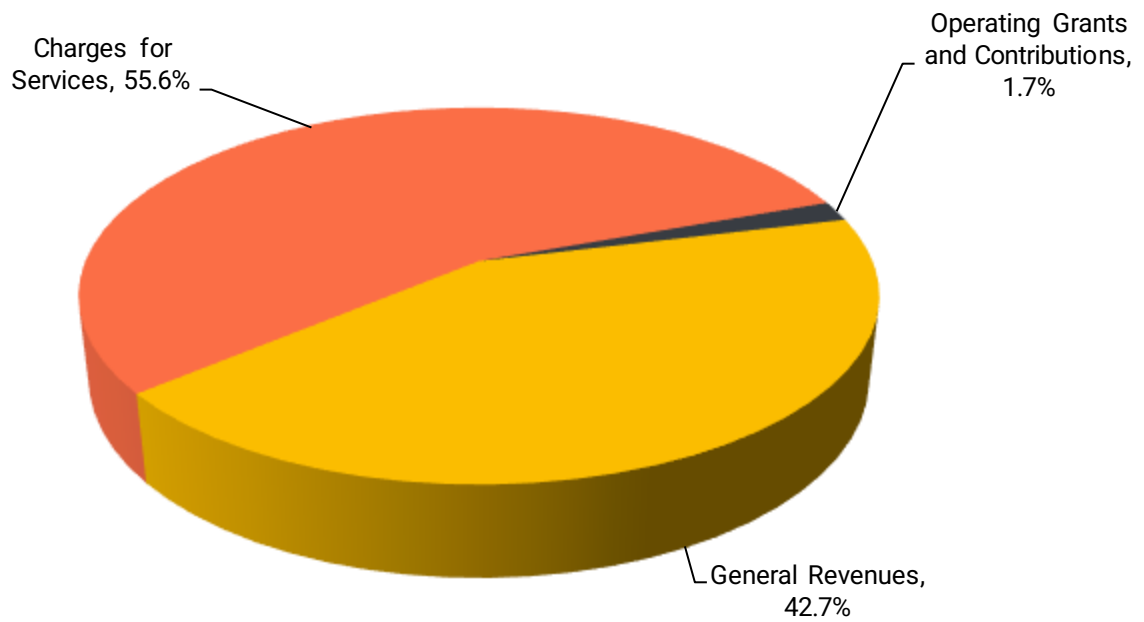
	December 31,		Increase (Decrease)
	2025	2024	
Revenues			
Program			
Charges for services	\$ 2,646,082	\$ 2,896,352	\$ (250,270)
Operating grants and contributions	81,536	-	81,536
Capital grants and contribution	-	458,732	(458,732)
General			
Property taxes	1,608,954	1,494,780	114,174
Grants and contributions not restricted to specific programs	4,218	10,632	(6,414)
Unrestricted investment earnings	423,443	589,435	(165,992)
Miscellaneous	-	12,850	(12,850)
Total Revenues	<u>4,764,233</u>	<u>5,462,781</u>	<u>(698,548)</u>
Expenses			
General government	1,119,533	1,214,892	(95,359)
Program costs	359,538	359,517	21
Project costs	3,154,650	6,018,441	(2,863,791)
Interest on long-term debt	31,422	36,689	(5,267)
Total Expenses	<u>4,665,143</u>	<u>7,629,539</u>	<u>(2,964,396)</u>
Change in Net Position	99,090	(2,166,758)	2,265,848
Net Position, January 1	<u>26,437,460</u>	<u>28,604,218</u>	<u>(2,166,758)</u>
Net Position, December 31	<u>\$ 26,536,550</u>	<u>\$ 26,437,460</u>	<u>\$ 99,090</u>

- Overall revenues decreased \$698,548 from the prior year. The main reason for the decrease was operating grants and contributions and charges for services which decreased \$458,732 and \$250,270, respectively.
- Expenses decreased \$2,964,396 from the prior year. The main reason for the decrease was completion of a large watershed restoration in prior year. The decrease is less than the District budget and watershed management plan.

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



Revenues by Source - Governmental Activities



Financial Analysis of the Government'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 funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2025.

	General Fund	Planning and Implementation	Debt Service	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances						
Nonspendable - prepaid items	\$ 28,028	\$ -	\$ -	\$ 28,028	\$ 26,336	\$ 1,692
Restricted for debt service	-	-	431,178	431,178	646,809	(215,631)
Committed for planning and implementation	-	9,308,739	-	9,308,739	9,049,880	258,859
Unassigned	367,091	-	-	367,091	399,272	(32,181)
Total Fund Balances	<u>\$ 395,119</u>	<u>\$ 9,308,739</u>	<u>\$ 431,178</u>	<u>\$ 10,135,036</u>	<u>\$ 10,122,297</u>	<u>\$ 12,739</u>

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 below along with total fund balance as a percent of total expenditures.

	Fund Balance		Increase/ (Decrease)
	2025	2024	
General Fund Fund Balances			
Nonspendable	\$ 28,028	\$ 26,336	\$ 1,692
Unassigned	367,091	399,272	(32,181)
Total General Fund Balances	<u>\$ 395,119</u>	<u>\$ 425,608</u>	<u>\$ (30,489)</u>
General Fund expenditures	\$ 468,517	\$ 474,308	
Unassigned as a percent of expenditures	78.4%	84.2%	
Total Fund Balance as a percent of expenditures	84.3%	89.7%	

The fund balance of the District's General fund decreased during the current fiscal year as shown in the table above. The decrease in fund balance was mainly due to vehicles purchased during the year.

Other Major Funds

	Fund Balance		Increase (Decrease)
	2025	2024	
Planning and Implementation	\$ 9,308,739	\$ 9,049,880	\$ 258,859
<i>The Planning and Implementation fund balance increased during the year mainly due to capital project expenses being less than anticipated.</i>			
Debt Service	431,178	646,809	(215,631)
<i>The Debt Service fund balance decreased during the year mainly due current year debt payments exceeding current year levy for taxes. The ending fund balance is restricted for future debt service.</i>			

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, easements, infrastructure, land improvements, and a district vehicle.

South Washington Watershed District's Capital Assets (Net of Depreciation)

	December 31,		Increase (Decrease)
	2025	2024	
Land	\$ 9,617,888	\$ 9,617,888	\$ -
Vehicles and Equipment	29,397	39,196	(9,799)
Infrastructure	8,597,682	8,806,405	(208,723)
Total	<u>\$ 18,244,967</u>	<u>\$ 18,463,489</u>	<u>\$ (218,522)</u>
Percent Increase/(Decrease)			-1.2%

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

Noncurrent Liabilities

At the end of the current fiscal year, the District had total bonded debt outstanding of \$1,709,359, all of which were G.O bonds. While all of the District's bonds have revenue streams, they are all backed by the full faith and credit of the District.

South Washington Watershed District's Noncurrent Liabilities

	December 31,		Increase (Decrease)
	2025	2024	
Bonds Payable	<u>\$ 1,709,359</u>	<u>\$ 1,981,230</u>	<u>\$ (271,871)</u>
Percent Increase/(Decrease)			-13.7%

The District's total noncurrent liabilities decreased during the current fiscal year. The decrease can be attributed to regularly scheduled principal payments.

Additional information on the District's noncurrent liabilities can be found in Note 3C starting on page 42 of this report.

Economic Factors and Next Year's Budgets

The economic outlook for the District is strong with continued growth through the development of residential and commercial property. All cities and townships have updated comprehensive land use plans to provide expanded development opportunities. With continued development, the District will experience steady growth in values and tax base. The District collects stormwater utility fees which provide the majority of the revenue for projects. Development, particularly in residential units creates steady growth in the Districts stormwater utility fees. Stormwater utility fees have seen an average increase of 1,000 units over the past 5 years. The future budget will migrate revenue towards three program areas of resiliency, watershed restoration and coordinated capital projects

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 John Loomis, Administrator, South Washington Watershed District, 2302 Tower Drive, Woodbury, MN 55125.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

SOUTH WASHINGTON WATERSHED DISTRICT
WOODBURY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

South Washington Watershed District
Woodbury, Minnesota
Statement of Net Position
December 31, 2025

	<u>Governmental Activities</u>
Assets	
Cash and temporary investments	\$ 11,124,516
Receivables	
Stormwater utility fees	42,043
Taxes	20,088
Due from other governments	155,072
Prepaid items	28,028
Capital assets	
Nondepreciable assets	9,617,888
Depreciable assets, net of accumulated depreciation	8,627,079
Total Assets	<u><u>29,614,714</u></u>
 Deferred Outflows of Resources	
Deferred pension resources	<u>65,993</u>
 Liabilities	
Accounts payable	912,471
Accrued salaries payable	24,805
Accrued interest	12,122
Unearned revenue	125,329
Noncurrent liabilities	
Due within one year	
Long-term liabilities	299,376
Due in more than one year	
Long-term liabilities	1,444,359
Net pension liability	181,062
Total Liabilities	<u><u>2,999,524</u></u>
 Deferred Inflows of Resources	
Deferred pension resources	<u>144,633</u>
 Net Position	
Net investment in capital assets	16,535,608
Restricted for debt service	420,264
Unrestricted	<u>9,580,678</u>
Total Net Position	<u><u>\$ 26,536,550</u></u>

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

South Washington Watershed District
Woodbury, Minnesota
Statement of Activities
For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 1,119,533	\$ -	\$ -	\$ -	\$ (1,119,533)
Program costs	359,538	-	-	-	(359,538)
Project costs	3,154,650	2,646,082	81,536	-	(427,032)
Interest on long-term debt	31,422	-	-	-	(31,422)
 Total	 \$ 4,665,143	\$ 2,646,082	\$ 81,536	\$ -	\$ (1,937,525)
 General Revenues					
Property taxes					1,608,954
Grants and contributions not restricted to specific programs					4,218
Unrestricted investment earnings					423,443
Total General Revenues					2,036,615
 Change in Net Position					99,090
 Net Position, January 1					26,437,460
 Net Position, December 31					\$ 26,536,550

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

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FUND FINANCIAL STATEMENTS
SOUTH WASHINGTON WATERSHED DISTRICT
WOODBURY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

South Washington Watershed District
Woodbury, Minnesota
Balance Sheet
Governmental Funds
December 31, 2025

	General	Planning and Implementation	Nonmajor Debt Service	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 394,284	\$ 10,298,768	\$ 431,464	\$ 11,124,516
Receivables				
Stormwater utility fees	-	40,571	1,472	42,043
Taxes	6,865	13,223	-	20,088
Due from other governments	100	154,972	-	155,072
Prepaid items	28,028	-	-	28,028
	<u>28,028</u>	<u>-</u>	<u>-</u>	<u>28,028</u>
Total Assets	<u>\$ 429,277</u>	<u>\$ 10,507,534</u>	<u>\$ 432,936</u>	<u>\$ 11,369,747</u>
Liabilities				
Accounts payable	\$ 17,880	\$ 894,041	\$ 550	\$ 912,471
Accrued salaries payable	9,958	14,847	-	24,805
Unearned revenue	-	125,329	-	125,329
Total Liabilities	<u>27,838</u>	<u>1,034,217</u>	<u>550</u>	<u>1,062,605</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	6,320	11,585	-	17,905
Unavailable revenue - stormwater utility fees	-	32,993	1,208	34,201
Unavailable revenue - intergovernmental	-	120,000	-	120,000
Total Deferred Inflows of Resources	<u>6,320</u>	<u>164,578</u>	<u>1,208</u>	<u>172,106</u>
Fund Balances				
Nonspendable for prepaid items	28,028	-	-	28,028
Restricted for debt service	-	-	431,178	431,178
Committed for planning and implementation	-	9,308,739	-	9,308,739
Unassigned	367,091	-	-	367,091
Total Fund Balances	<u>395,119</u>	<u>9,308,739</u>	<u>431,178</u>	<u>10,135,036</u>
	<u>395,119</u>	<u>9,308,739</u>	<u>431,178</u>	<u>10,135,036</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 429,277</u>	<u>\$ 10,507,534</u>	<u>\$ 432,936</u>	<u>\$ 11,369,747</u>

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

South Washington Watershed District
 Woodbury, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2025

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

Total Fund Balances - Governmental	\$ 10,135,036
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	20,100,703
Less accumulated depreciation	(1,855,736)
Noncurrent liabilities, including bonds payable, 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	(34,376)
Bonds payable	(1,675,000)
Bond premium	(34,359)
Net pension liability	(181,062)
Some receivables are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds.	
Taxes receivable	17,905
Stormwater utility fees	34,201
Intergovernmental	120,000
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	65,993
Deferred inflows of pension resources	(144,633)
Governmental funds do not report a liability for accrued interest until due and payable	(12,122)
Total Net Position - Governmental Activities	\$ 26,536,550

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

South Washington Watershed District
Woodbury, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	General	Planning and Implementation	Nonmajor Debt Service	Total Governmental Funds
Revenues				
Property taxes	\$ 400,187	\$ 1,202,483	\$ -	\$ 1,602,670
Stormwater utility fees	-	2,573,041	80,209	2,653,250
Intergovernmental	194	33,355	-	33,549
Interest on investments	37,409	376,814	9,220	423,443
Miscellaneous	238	72,637	-	72,875
Total Revenues	<u>438,028</u>	<u>4,258,330</u>	<u>89,429</u>	<u>4,785,787</u>
Expenditures				
Current				
General government	467,168	694,006	-	1,161,174
Programs	-	359,538	-	359,538
Capital				
General government	1,349	-	-	1,349
Project	-	2,945,927	-	2,945,927
Debt service				
Principal	-	-	265,000	265,000
Interest and other	-	-	40,060	40,060
Total Expenditures	<u>468,517</u>	<u>3,999,471</u>	<u>305,060</u>	<u>4,773,048</u>
Net Change in Fund Balances	(30,489)	258,859	(215,631)	12,739
Fund Balances, January 1	<u>425,608</u>	<u>9,049,880</u>	<u>646,809</u>	<u>10,122,297</u>
Fund Balances, December 31	<u>\$ 395,119</u>	<u>\$ 9,308,739</u>	<u>\$ 431,178</u>	<u>\$ 10,135,036</u>

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

South Washington Watershed District
Woodbury, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2025

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

Total Net Change in Fund Balances - Governmental Funds	\$ 12,739
<p>Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Depreciation expense	(218,522)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities</p>	
Principal repayments	265,000
Amortization of bond premium	6,871
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	1,767
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	6,284
Stormwater utility fees	(7,168)
Intergovernmental	(20,000)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	55,079
Pension revenue	(670)
<p>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.</p>	
Compensated absences payable	<u>(2,290)</u>
Change in Net Position - Governmental Activities	<u><u>\$ 99,090</u></u>

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

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South Washington Watershed District
Woodbury, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The South Washington Watershed District (the District), Woodbury, Minnesota was originally created in 1993 under the name of Cottage Grove Ravine Watershed District by the Minnesota Board of Water and Soil Resources (the Board) as provided in Minnesota Statutes Chapter 103D. In July 1994, the District changed its name to South Washington Watershed District. The District is operated by a five member Board of Managers originally appointed by the Board. Subsequent appointments will be made by Washington County.

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 GASB criteria.

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. For the most part, the effect of interfund activity has been removed from these statements.

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 *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 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*.

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 Basis of 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. 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.

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

South Washington Watershed District
Woodbury, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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 funds:

The *General fund* is the District's primary operating fund. It accounts for all financial resources not accounted for in a different fund of the District.

The *Planning and Implementation fund* is established to account for expenditures related to the preparation and implementation of the Watershed Management Plan. Property taxes and stormwater utility fees are committed for planning and implementation

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements.

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

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.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

South Washington Watershed District
Woodbury, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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.
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 District does not have deposits at December 31, 2025.

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.

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the District's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contacting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

South Washington Watershed District
 Woodbury, Minnesota
 Notes to the Financial Statements
 December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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 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 and easements 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Assets	Useful Lives in Years
Infrastructure	48 - 50
Vehicles and Equipment	5 - 10

South Washington Watershed District
Woodbury, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net position will report 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 then. The District has only 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.

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 30th. 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 typically used to liquidate the governmental net pension liability.

The total pension expense recognized by the District for the year ended December 31, 2025, was negative \$16,239.

Compensated Absences

It is the District's policy to permit employees to accumulate paid time off (PTO) benefits, which are paid to the employee upon separation. All PTO is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will report 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 only one 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 funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, stormwater utility fees and intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become 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.

South Washington Watershed District
Woodbury, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, 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 and also negative residual amounts in other funds.

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.

The District has no formal fund balance policy.

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

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.

South Washington Watershed District
Woodbury, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

The Board of Managers adopts an annual budget for the General and Management Planning 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. The budget was not amended in 2025.

Note 3: Detailed Notes on Accounts

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.

In accordance with Minnesota statutes and as authorized by the Board, the District maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

The District does not have deposits at December 31, 2025.

Investments

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 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;
- 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.

South Washington Watershed District
 Woodbury, Minnesota
 Notes to the Financial Statements
 December 31, 2025

Note 3: Detailed Notes on Accounts (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. The District follows State Statutes in regards to credit risk of investments. The District policy does not further limit investment choices.
- *Custodial Credit Risk* for investments 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*. This is the risk of loss attributed to the magnitude of a government'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*. This 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, however, manages exposure to declines in fair values by limiting a majority of investments to less than five years. Extended maturities may be utilized to take advantage of higher yields; however, no more than 40 percent of the total investments should extend beyond five years as of the total investment figure as of January first of each year and in no circumstance should any extend beyond 10 years.

At year end, the District's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount
Pooled Investments at Amortized Costs			
4M Fund	N/A	less than 6 months	<u>\$ 11,124,516</u>

(1) Ratings are provided by Moody's where applicable to indicate associated credit risk.
 (2) Interest rate risk is disclosed using the segmented time distribution method.
 N/A Indicates not applicable or available.

South Washington Watershed District
Woodbury, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on Accounts (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	\$ 9,617,888	\$ -	\$ -	\$ 9,617,888
Capital Assets, Being Depreciated				
Infrastructure	10,433,820	-	-	10,433,820
Vehicles and Equipment	48,995	-	-	48,995
Total Capital Assets Being Depreciated	<u>10,482,815</u>	<u>-</u>	<u>-</u>	<u>10,482,815</u>
Less Accumulated Depreciation for				
Infrastructure	(1,627,415)	(208,723)	-	(1,836,138)
Vehicles and Equipment	(9,799)	(9,799)	-	(19,598)
Total Accumulated Depreciation	<u>(1,637,214)</u>	<u>(218,522)</u>	<u>-</u>	<u>(1,855,736)</u>
Total Capital Assets being Depreciated, Net	<u>8,845,601</u>	<u>(218,522)</u>	<u>-</u>	<u>8,627,079</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,463,489</u>	<u>\$ (218,522)</u>	<u>\$ -</u>	<u>\$ 18,244,967</u>

Depreciation expense charged to the project costs function for 2025 was \$218,522.

Construction Commitment

The District has active construction and other project commitments as of December 31, 2025. At year end the commitments are as follows:

Project	Spent to date	Remaining Commitment
Enhanced Street Sweeping Agreement 2025 Program	\$ -	\$ 200,000
Newport Elementary BMP	19,597	56,523
Wilmes and Hasenbank Maintenance Agreements	42,078	140,452
Nuevas Fronteras Kraken Maintenance	18,495	35,128
Cottage Grove Ravine Park Outlet Channel Stabilization	126,220	52,970
Nature Based Solutions Ecosystem Management Plan	43,767	42,381
Cottage Grove Ravine Park Outlet Channel Stabilization Construction	-	230,894
Washington County CR74 Cooperative Agreement	-	<u>133,778</u>
Total	<u>\$ 250,159</u>	<u>\$ 892,126</u>

South Washington Watershed District
Woodbury, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on Accounts (Continued)

C. Long-term Debt

General Obligation (G.O.) Bonds.

The District issued general obligation bonds in 2011 to finance a portion of the water quality improvement projects related to the City of Cottage Grove, drainage improvements related to the City of Newport and Grey Cloud Island Slough Crossing Project. The bonds are direct obligations and pledge the full faith and credit to the District.

As of December 31, 2025, the long-term bonded debt of the District is as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O Crossover Refunding Bonds, 2016A	\$ 3,070,000	2.00 - 3.00 %	3/15/2016	3/1/2031	<u>\$ 1,675,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	\$ 265,000	\$ 33,715	\$ 298,715
2027	275,000	28,315	303,315
2028	275,000	22,678	297,678
2029	280,000	16,710	296,710
2030	290,000	10,295	300,295
2031	290,000	3,480	293,480
Total	<u>\$ 1,675,000</u>	<u>\$ 115,193</u>	<u>\$ 1,790,193</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 1,940,000	\$ -	\$ (265,000)	\$ 1,675,000	\$ 265,000
Add					
Premium on bonds	41,230	-	(6,871)	34,359	-
Total Bonds Payable	<u>1,981,230</u>	<u>-</u>	<u>(271,871)</u>	<u>1,709,359</u>	<u>265,000</u>
Compensated Absences Payable*	<u>32,086</u>	<u>2,290</u>	<u>-</u>	<u>34,376</u>	<u>34,376</u>
Total Governmental Activities	<u>\$ 2,013,316</u>	<u>\$ 2,290</u>	<u>\$ (271,871)</u>	<u>\$ 1,743,735</u>	<u>\$ 299,376</u>

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

South Washington Watershed District
Woodbury, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 4: Other Information

A. 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 pays annual premiums for its workers compensation and property and casualty insurance. 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.

B. Stormwater Utility Fees

In 2004, the District implemented a stormwater utility fee pursuant to Minnesota Statutes Chapter 444.

South Washington Watershed District
Woodbury, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 5: Defined Benefit Pension Plans - Statewide

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These 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.

General Employees Retirement Plan (General Plan)

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.

General Employees Plan Benefits

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 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of 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 retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .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.

South Washington Watershed District
 Woodbury, Minnesota
 Notes to the Financial Statements
 December 31, 2025

Note 5: Defined Benefit Pension Plans - Statewide (Continued)

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 Employees Fund Contributions

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 \$38,840. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2025, the District reported a liability of \$181,062 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 \$4,368.

District's proportionate share of the net pension liability	\$	181,062
State of Minnesota's proportionate share of the net pension liability associated with the District		4,368
Total		\$ 185,430

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 0.0055% at the end of the measurement period and 0.0062% for the beginning of the period.

For the year ended December 31, 2025, the District recognized pension expense of negative \$15,569 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional negative \$670 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.

South Washington Watershed District
Woodbury, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 5: Defined Benefit Pension Plans - Statewide (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 17,251	\$ -
Changes in actuarial assumptions	4,363	41,662
Net difference between projected and actual investment earnings	-	72,046
Changes in proportion	24,963	30,925
Employer contributions subsequent to the measurement date	19,416	-
Total	\$ 65,993	\$ 144,633

The \$19,416 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ (14,544)
2027	(35,516)
2028	(35,126)
2029	(12,870)

E. Long-term Expected Return on Investment

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 Return on Investment
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	100.0 %	

South Washington Watershed District
Woodbury, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 5: Defined Benefit Pension Plans - Statewide (Continued)

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption 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% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees 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:

General Employees Fund

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 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% 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 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% 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.

G. 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 General Employees Plan 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.

South Washington Watershed District
 Woodbury, Minnesota
 Notes to the Financial Statements
 December 31, 2025

Note 5: Defined Benefit Pension Plans - Statewide (Continued)

H. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1 Percent Decrease (6.00%)</u>	<u>Current (7.00%)</u>	<u>1 Percent Increase (8.00%)</u>
General Employees Fund	\$ 439,772	\$ 181,062	\$ (28,809)

I. Pension Plan Fiduciary Net Position

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

REQUIRED SUPPLEMENTARY INFORMATION
SOUTH WASHINGTON WATERSHED DISTRICT
WOODBURY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

South Washington Watershed District
Woodbury, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2025

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

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.0055 %	\$ 181,062	\$ 4,368	\$ 185,430	\$ 521,378	34.7 %	90.8 %
6/30/2024	0.0062	228,223	5,901	234,124	512,403	44.5	89.1
6/30/2023	0.0056	313,146	8,701	321,847	445,921	70.2	83.1
6/30/2022	0.0051	403,922	11,956	415,878	415,661	97.2	76.7
6/30/2021	0.0053	226,334	6,960	233,294	381,873	59.3	87.0
6/30/2020	0.0049	293,777	8,967	302,744	348,523	84.3	79.1
6/30/2019	0.0051	281,968	8,833	290,801	360,140	78.3	80.2
6/30/2018	0.0052	288,475	9,514	297,989	347,225	83.1	79.5
6/30/2017	0.0052	331,965	4,202	336,167	308,713	107.5	75.9
6/30/2016	0.0052	422,214	5,548	427,762	322,277	131.0	68.9

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2025	\$ 38,840	\$ 38,840	\$ -	\$ 517,871	7.50 %
12/31/2024	38,430	38,430	-	512,403	7.50
12/31/2023	38,430	38,430	-	512,403	7.50
12/31/2022	29,353	29,353	-	391,370	7.50
12/31/2021	29,044	29,044	-	387,247	7.50
12/31/2020	29,790	29,790	-	397,200	7.50
12/31/2019	26,145	26,145	-	348,597	7.50
12/31/2018	26,539	26,539	-	353,853	7.50
12/31/2017	23,712	23,712	-	316,154	7.50
12/31/2016	24,670	24,670	-	328,939	7.50

South Washington Watershed District
Woodbury, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2025 - 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 1.5%.

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): 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.

2023 - The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

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, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - 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.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

South Washington Watershed District
Woodbury, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

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

Changes in Plan Provisions

2025 - The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% 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 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%. The 1% 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 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 - An additional one-time direct state aid contribution of \$170.1 million will be 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 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - 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 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - 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 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 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 Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 - There were no changes in plan provisions since the previous valuation.

South Washington Watershed District
Woodbury, Minnesota
Required Supplementary Information (Continued)
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$ 405,763	\$ 400,187	\$ (5,576)
Intergovernmental	-	194	194
Interest on investments	-	37,409	37,409
Miscellaneous	-	238	238
Total Revenues	<u>405,763</u>	<u>438,028</u>	<u>32,265</u>
Expenditures			
Current			
General government			
Operational services	309,200	304,890	4,310
Supplies	7,000	5,667	1,333
Other services and charges	178,652	156,611	22,041
Capital			
General government	5,000	1,349	3,651
Total Expenditures	<u>499,852</u>	<u>468,517</u>	<u>31,335</u>
Net Change in Fund Balances	(94,089)	(30,489)	63,600
Fund Balances, January 1	<u>425,608</u>	<u>425,608</u>	-
Fund Balances, December 31	<u>\$ 331,519</u>	<u>\$ 395,119</u>	<u>\$ 63,600</u>

South Washington Watershed District
Woodbury, Minnesota
Required Supplementary Information (Continued)
Budgetary Comparison Schedule
Planning and Implementation Fund
For the Year Ended December 31, 2025

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues			
Property taxes	\$ 1,219,237	\$ 1,202,483	\$ (16,754)
Stormwater utility fees	2,867,910	2,573,041	(294,869)
Intergovernmental	-	33,355	33,355
Interest on investments	-	376,814	376,814
Miscellaneous	-	72,637	72,637
Total Revenues	<u>4,087,147</u>	<u>4,258,330</u>	<u>171,183</u>
Expenditures			
Current			
General government	781,764	694,006	87,758
Programs	610,700	359,538	251,162
Capital			
Projects	3,540,000	2,945,927	594,073
Total Expenditures	<u>4,932,464</u>	<u>3,999,471</u>	<u>932,993</u>
Net Change in Fund Balances	(845,317)	258,859	1,104,176
Fund Balances, January 1	<u>9,049,880</u>	<u>9,049,880</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 8,204,563</u>	<u>\$ 9,308,739</u>	<u>\$ 1,104,176</u>

South Washington Watershed District
Woodbury, Minnesota
Required Supplementary Information (Continued)
December 31, 2025

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 and Special Revenue funds. 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. Excess of Expenditures Over Appropriations

For the year ended December 31, 2025, expenditures did not exceed appropriations in any funds

C. Summary of Significant Budget Variances

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

Revenues

- Interest earnings exceeded budgeted amounts due to not budgeting an amount for interest on investments.

Expenditures

- Other services and charges were under budget mainly due to employee training and insurance.

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

Revenues

- Stormwater utility fees revenues were under final budgeted amounts due to a clerical error by the County during 2025.
- Interest earnings exceeded final budgeted amounts due to not budgeting an amount for interest on investments.

Expenditures

- Programs and Capital Outlay expenditures were under final budgeted amounts due to projects being placed on the budget being for multi-year ongoing projects.

D. Budgetary Compliance

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

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COMBINING SCHEDULES
SOUTH WASHINGTON WATERSHED DISTRICT
WOODBURY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

South Washington Watershed District
Woodbury, Minnesota
Planning and Implementation Fund
Combining Balance Sheet
December 31, 2025

	01	02	03	04	
	Planning Fund	Regulatory	Implementation and Maintenance	Education	Total
Assets					
Cash and temporary investments	\$ 2,516,498	\$ 198,256	\$ 6,954,354	\$ 629,660	\$ 10,298,768
Receivables					
Stormwater utility fees	361	-	40,210	-	40,571
Taxes	243	67	12,584	329	13,223
Due from other governments	1,028	-	153,944	-	154,972
Total Assets	\$ 2,518,130	\$ 198,323	\$ 7,161,092	\$ 629,989	\$ 10,507,534
Liabilities					
Accounts payable	\$ 82	\$ -	\$ 882,419	\$ 11,540	\$ 894,041
Accrued salaries payable	4,492	736	7,940	1,679	14,847
Unearned revenue	-	-	110,495	14,834	125,329
Total Liabilities	4,574	736	1,000,854	28,053	1,034,217
Deferred Inflows of Resources					
Unavailable revenues - taxes	-	-	11,585	-	11,585
Unavailable revenues - stormwater utility fees	-	-	32,993	-	32,993
Unavailable revenues - intergovernmental	-	-	120,000	-	120,000
Total Deferred Inflows of Resources	-	-	164,578	-	164,578
Fund Balances					
Committed for planning and implementation	2,513,556	197,587	5,995,660	601,936	9,308,739
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,518,130	\$ 198,323	\$ 7,161,092	\$ 629,989	\$ 10,507,534

South Washington Watershed District
Woodbury, Minnesota
Planning and Implementation Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2025

	01	02	03	04	
	Planning Fund	Regulatory	Implementation and Maintenance	Education	Total
Revenues					
Property taxes	\$ 178,217	\$ 49,362	\$ 733,542	\$ 241,362	\$ 1,202,483
Stormwater utility fees	123,401	-	2,449,640	-	2,573,041
Intergovernmental	85	24	33,129	117	33,355
Interest on investments	29,252	4,614	320,386	22,562	376,814
Miscellaneous	35,571	-	20,000	17,066	72,637
Total Revenues	<u>366,526</u>	<u>54,000</u>	<u>3,556,697</u>	<u>281,107</u>	<u>4,258,330</u>
Expenditures					
Current					
General government	403,170	20,443	221,021	49,372	694,006
Programs	-	9,164	275,554	74,820	359,538
Capital					
Projects	5,541	-	2,846,251	94,135	2,945,927
Total Expenditures	<u>408,711</u>	<u>29,607</u>	<u>3,342,826</u>	<u>218,327</u>	<u>3,999,471</u>
Net Change in Fund Balances	(42,185)	24,393	213,871	62,780	258,859
Fund Balances, January 1	<u>2,555,741</u>	<u>173,194</u>	<u>5,781,789</u>	<u>539,156</u>	<u>9,049,880</u>
Fund Balances, December 31	<u>\$ 2,513,556</u>	<u>\$ 197,587</u>	<u>\$ 5,995,660</u>	<u>\$ 601,936</u>	<u>\$ 9,308,739</u>

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OTHER REQUIRED REPORT
SOUTH WASHINGTON WATERSHED DISTRICT
WOODBURY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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**INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE**

Board of Managers
South Washington Watershed District
Woodbury, 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 the South Washington Watershed District (the District), Woodbury, Minnesota, as of and for the year ended December 31, 2025, and the related notes to the financial statements and have issued our report thereon dated May 6, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use those charged with governance and management of the District and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



Abdo
Minneapolis, Minnesota
May 6, 2026