

SOUTH WASHINGTON WATERSHED DISTRICT

ANNUAL FINANCIAL REPORT

December 31, 2015

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SOUTH WASHINGTON WATERSHED DISTRICT
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INTRODUCTORY SECTION

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SOUTH WASHINGTON WATERSHED DISTRICT

LIST OF APPOINTED OFFICIALS

December 31, 2015

BOARD OF MANAGERS

President	Jack Lavold
Vice-President	Dennis Hanna
Vice-President	Brian Johnson
Treasurer	Mike Madigan
Secretary	Don Pereira

APPOINTED OFFICIALS

Administrator	Matt Moore
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Managers
South Washington Watershed District
Woodbury, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of South Washington Watershed District, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise South Washington Watershed District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of South Washington Watershed District, as of December 31, 2015, 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.

Emphasis of Matter

As described in Notes 8 and 14 to the financial statements, South Washington Watershed District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* for the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited South Washington Watershed District's 2014 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund on our report dated March 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedule of Proportionate Share of Net Pension Liability, and Schedule of Pension Contributions on pages 40 through 43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Washington Watershed District's basic financial statements. The introductory section, individual fund financial statements, supplementary financial information, and other information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and supplementary financial information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and supplementary financial information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 7, 2016

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BASIC FINANCIAL STATEMENTS

SOUTH WASHINGTON WATERSHED DISTRICT

STATEMENT OF NET POSITION

December 31, 2015

Statement 1

	Governmental Activities
	<u>2015</u>
Assets:	
Cash and investments	\$14,944,704
Restricted cash and investments	1,262,298
Due from other governments	328,251
Taxes receivable:	
Delinquent	12,777
Due from county	3,740
Stormwater utility fees receivable:	
Delinquent	28,565
Due from county	18,208
Prepaid items	18,843
Capital assets - net:	
Depreciable	637,803
Nondepreciable	12,250,077
Total assets	<u>29,505,266</u>
Deferred outflows of resources:	
Related to pensions	<u>56,460</u>
Liabilities:	
Accounts payable	222,425
Salaries payable	9,356
Contracts payable	34,833
Accrued interest payable	53,073
Unamortized bond premium	41,213
Compensated absences payable:	
Due within one year	14,795
Bonds payable:	
Due within one year	630,000
Due in more than one year	3,975,000
Net pension liability:	
Due in more than one year	248,761
Total liabilities	<u>5,229,456</u>
Deferred inflow of resources:	
Related to pensions	<u>12,542</u>
Net position:	
Net investment in capital assets	9,486,755
Restricted for:	
Debt service	424,554
Unrestricted	14,408,419
Total net position	<u><u>\$24,319,728</u></u>

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

SOUTH WASHINGTON WATERSHED DISTRICT

STATEMENT OF ACTIVITIES

Statement 2

For The Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Totals 2015
Primary government:					
Governmental activities:					
General government	\$513,968	\$1,500	\$ -	\$ -	(\$512,468)
Programs	378,570	-	-	-	(378,570)
Projects	1,692,151	2,877,647	148,354	-	1,333,850
Interest on long-term debt	150,552	-	-	-	(150,552)
Total governmental activities	<u>\$2,735,241</u>	<u>\$2,879,147</u>	<u>\$148,354</u>	<u>\$0</u>	<u>292,260</u>
General revenues:					
Property taxes					770,814
Grants and contributions not restricted to specific programs					595
Unrestricted investment earnings					2,390
Miscellaneous other					9,270
Total general revenues					<u>783,069</u>
Change in net position					<u>1,075,329</u>
Net position - January 1, as previously reported					23,432,728
Prior period adjustment					(188,329)
Net position - January 1, as restated					<u>23,244,399</u>
Net position - December 31					<u>\$24,319,728</u>

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

SOUTH WASHINGTON WATERSHED DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015
With Comparative Totals For December 31, 2014

Statement 3

Assets	General Fund	Planning and Implementation	Debt Service	Total Governmental Funds	
				2015	2014
Cash and investments	\$372,153	\$14,131,390	\$441,161	\$14,944,704	\$14,591,892
Restricted cash and investments	-	1,253,560	8,738	1,262,298	1,284,412
Accounts receivable	-	-	-	-	1,452
Due from other governments	-	328,251	-	328,251	359,159
Taxes receivable:					
Delinquent	4,425	8,352	-	12,777	10,149
Due from county	1,446	2,294	-	3,740	3,028
Stormwater utility fees receivable:					
Delinquent	-	5,895	22,670	28,565	35,373
Due from county	-	13,149	5,059	18,208	12,231
Prepaid items	16,820	2,023	-	18,843	15,096
Total assets	<u>\$394,844</u>	<u>\$15,744,914</u>	<u>\$477,628</u>	<u>\$16,617,386</u>	<u>\$16,312,792</u>
Liabilities, deferred inflows of resources, and fund balance					
Liabilities:					
Accounts payable	\$8,145	\$214,280	\$ -	\$222,425	\$340,783
Salaries payable	3,479	5,877	-	9,356	6,116
Contracts payable	-	34,833	-	34,833	25,607
Unearned revenue	-	-	-	-	69,608
Total liabilities	<u>11,624</u>	<u>254,990</u>	<u>0</u>	<u>266,614</u>	<u>442,114</u>
Deferred inflows of resources:					
Unavailable revenue	<u>4,425</u>	<u>334,247</u>	<u>22,670</u>	<u>361,342</u>	<u>385,522</u>
Fund balance:					
Nonspendable	16,820	2,023	-	18,843	15,096
Restricted	-	1,245,088	454,958	1,700,046	1,697,357
Committed	-	13,840,034	-	13,840,034	13,345,890
Assigned	-	68,532	-	68,532	59,825
Unassigned	361,975	-	-	361,975	366,988
Total fund balance	<u>378,795</u>	<u>15,155,677</u>	<u>454,958</u>	<u>15,989,430</u>	<u>15,485,156</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$394,844</u>	<u>\$15,744,914</u>	<u>\$477,628</u>	<u>\$16,617,386</u>	<u>\$16,312,792</u>
Fund balance reported above				\$15,989,430	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.				12,887,880	
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.				361,342	
Deferred outflows of resources - pension related are not current financial resources and, therefore, are not reported in the funds.				56,460	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(4,962,842)	
Deferred inflows of resources - pension related are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.				(12,542)	
Net position of governmental activities				<u>\$24,319,728</u>	

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

SOUTH WASHINGTON WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

Statement 4

	General Fund	Planning and Implementation	Debt Service	Total Governmental Funds	
				2015	2014
Revenues:					
General property taxes	\$295,157	\$473,029	\$ -	\$768,186	\$741,801
Stormwater utility fees	-	2,081,836	802,619	2,884,455	2,841,732
Permits	-	1,500	-	1,500	6,500
Intergovernmental	228	168,721	-	168,949	127,270
Investment income	195	1,674	521	2,390	2,118
Other	3,741	5,529	-	9,270	6,909
Total revenues	<u>299,321</u>	<u>2,732,289</u>	<u>803,140</u>	<u>3,834,750</u>	<u>3,726,330</u>
Expenditures:					
Current:					
General government	302,610	193,080	-	495,690	411,930
Programs	-	378,570	-	378,570	143,788
Projects	-	1,677,891	-	1,677,891	1,369,187
Debt service:					
Principal retirement	-	-	605,000	605,000	565,000
Interest	-	-	172,395	172,395	195,770
Fiscal agent fees and other charges	-	-	930	930	930
Total expenditures	<u>302,610</u>	<u>2,249,541</u>	<u>778,325</u>	<u>3,330,476</u>	<u>2,686,605</u>
Revenues over (under) expenditures	(3,289)	482,748	24,815	504,274	1,039,725
Fund balance - January 1	<u>382,084</u>	<u>14,672,929</u>	<u>430,143</u>	<u>15,485,156</u>	<u>14,445,431</u>
Fund balance - December 31	<u>\$378,795</u>	<u>\$15,155,677</u>	<u>\$454,958</u>	<u>\$15,989,430</u>	<u>\$15,485,156</u>

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

SOUTH WASHINGTON WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015

Statement 5

	<u>2015</u>
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:	
Net changes in fund balances - total governmental funds (Statement 4)	\$504,274
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(24,180)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(13,330)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:	
Principal retirement	605,000
Amortization of bond premium	13,059
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.	7,020
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the Statement of Activities. This is the amount by which pension expense exceeded pension contributions in the current period:	
Pension contributions	\$23,445
Pension expense	(39,959)
Change in net position of governmental activities (Statement 2)	<u><u>\$1,075,329</u></u>

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

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the South Washington Watershed District (the District) conform to generally accepted accounting principles (GAAP) applicable to governmental units. The following is a summary of significant accounting policies.

A. FINANCIAL REPORTING ENTITY

The District was originally created on August 25, 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.

In accordance with Governmental Accounting Standards Board (GASB) pronouncements and GAAP, the financial statements of the reporting entity include the primary government and its component units. Generally, component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District (primary government) does not have any component units nor is it a component unit of any other governmental unit.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The District reports the following major governmental funds:

General Fund - is the general operating fund of the District. It is used to account for financial resources to be used for general administrative expenditures.

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 fees are committed for planning and implementation.

Debt Service Fund - is established to account for the accumulation of resources for, and the payment of principal, interest and related costs of the \$3,945,000 General Obligation Crossover Bonds of 2011 and the \$2,795,000 General Obligation Crossover Refunding Bonds of 2007.

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

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for an allowable use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. BUDGETS

Budgets are legally adopted on a basis consistent with GAAP. Annual appropriated budgets are legally adopted for the General Fund. Budgeted expenditure appropriations lapse at year end. Excess funds are rolled over each year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the District.

E. LEGAL COMPLIANCE – BUDGETS

The District prepares annual revenue and expenditure budgets for the District's General Fund. The District monitors budget performance on the fund basis.

- The operating budget includes proposed expenditures and the means of financing them.
- A public comment hearing is held to obtain taxpayer comment.
- The budget is legally adopted by Board resolution.
- All amounts over budget have been approved by the Board through the budget extension process.

The modified accrual basis of accounting is used by the District for budgeting data. All appropriations end with the fiscal year for which they were made. The District does not prepare an annual expenditure/appropriations budget for its Special Revenue Fund.

F. CASH AND INVESTMENTS

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

Investments are stated at fair value, based upon quoted market prices, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Investment income is accrued at the balance sheet date.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

G. PROPERTY TAX REVENUE RECOGNITION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The District recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the District in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the District the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the District in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

H. INVENTORIES

The original cost of materials and supplies has been recorded as expenditures at the time of purchase. These funds do not maintain material amounts of inventories.

I. PREPAID ITEMS

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

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

J. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets and intangible assets such as easements and computer software, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* effective January 1, 2010 which required the District to capitalize and amortize intangible assets. For governmental entities with total annual revenues of less than \$10 million for the fiscal year ended December 31, 1999, the retroactive reporting of intangible assets is not required under the provision of GASB Statement No. 51. The District did not acquire intangible assets in years prior to 2010 that required retroactive reporting. The District did not acquire any intangible assets since the implementation of GASB No. 51.

Property, plant and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	48-50 years
----------------	-------------

K. LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt is reported as a liability in the applicable governmental activities fund type statement of net position. Material bond premiums and discounts are amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

L. FUND BALANCE CLASSIFICATIONS

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the Board.

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

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

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

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

M. INTERFUND TRANSACTIONS

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

N. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused paid time off (PTO) benefits. All PTO benefits that are vested as severance pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

O. USE OF ESTIMATES

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

P. RECLASSIFICATIONS

Certain reclassifications were made to prior year amounts to conform to current year classification.

Q. COMPARATIVE TOTALS

The basic financial statements, required supplementary information, individual fund financial statements and supplementary financial information include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

R. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

SOUTH WASHINGTON WATERSHED DISTRICT
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December 31, 2015

S. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds”. The details of this (\$4,962,542) difference are as follows:

Bonds payable	(\$4,605,000)
Accrued interest payable	(53,073)
Compensated absences	(14,795)
Unamortized bond premium	(41,213)
Net pension liability	<u>(248,761)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>(\$4,962,842)</u></u>

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures and changes in fund balance includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds”. The details of this (\$24,180) difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2014	(\$10,149)
At December 31, 2015	12,777
Unavailable revenue - stormwater utility fees:	
At December 31, 2014	(35,373)
At December 31, 2015	28,565
Unavailable revenue - intergovernmental revenue:	
At December 31, 2014	(340,000)
At December 31, 2015	<u>320,000</u>
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>(\$24,180)</u></u>

SOUTH WASHINGTON WATERSHED DISTRICT
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Another element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this (\$13,330) difference are as follows:

Capitalized current expenditures	\$3,003
Depreciation expense	<u>(16,333)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>(\$13,330)</u></u>

Another element of that reconciliation states that “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”. The details of this \$7,020 difference are as follows:

Accrued interest payable:	
At December 31, 2014	\$61,857
At December 31, 2015	(53,073)
Compensated absences payable:	
At December 31, 2014	13,031
At December 31, 2015	<u>(14,795)</u>
Net adjustments to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>\$7,020</u></u>

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

Minnesota Statutes require that all of the District’s deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

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

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

SOUTH WASHINGTON WATERSHED DISTRICT
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- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- d) General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and
- f) Time deposits that are fully insured by any federal agency.

The District does not have deposits at December 31, 2015.

B. INVESTMENTS

Minnesota Statutes authorize the District to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligations of the State of Minnesota or any of its municipalities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptances of United States banks.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

As of December 31, 2015, the District had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)			
			Less Than 1	1-5	6-10	Over 10 Years
External investment pool - 4M Fund	*	\$14,944,704	\$14,944,704	\$ -	\$ -	\$ -
Money market	*	1,262,298	1,262,298	-	-	-
Total		<u>\$16,207,002</u>	<u>\$16,207,002</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
* Not Rated			Total investments			<u>\$16,207,002</u>

Following is a reconciliation of the District's cash and investment balances as of December 31, 2015:

Cash and investments	\$14,944,704
Restricted cash and investments	<u>1,262,298</u>
Total	<u>\$16,207,002</u>

C. INVESTMENT RISKS

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. The District follows State Statutes in regards to credit risk of investments. The District does not have an investment policy which further limits its investment choices.

The District's external investment pool investment is with the 4M Fund which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unrated 2a7-like pool and the fair value of the positions in the pool is the same as the value of pool shares.

Interest Rate Risk. Interest rate risk is the risk that changes in the interest rates of debt investments could adversely affect the fair value of an investment. The District does not have an investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the District's investment in a single issuer. The District does not have an investment policy which addresses the concentration of credit risk.

Custodial Credit Risk. For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investments securities that are in the possession of an outside party. As of December 31, 2015, the District had \$14,944,704 in investments that were invested in an external investment pool and \$1,262,298 in a money market. Investments in external investment pools and money markets are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Note 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2015 are as follows:

	<u>General Fund</u>	<u>Planning and Implementation</u>	<u>Debt Service</u>	<u>Total</u>
Delinquent property taxes receivable	\$3,400	\$6,400	\$ -	\$9,800
Delinquent stormwater utility fees	-	2,500	9,600	12,100
Due from other governments	-	300,000	-	300,000
 Total	 <u>\$3,400</u>	 <u>\$308,900</u>	 <u>\$9,600</u>	 <u>\$321,900</u>

Note 4 UNAVAILABLE REVENUE

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

	<u>Property Taxes</u>	<u>Stormwater Utility Fees</u>	<u>Due from other Governmental Units</u>	<u>Total</u>
General Fund	\$4,425	\$ -	\$ -	\$4,425
Planning and Implementation	8,352	5,895	320,000	334,247
Debt Service	-	22,670	-	22,670
Total unavailable revenue	<u>\$12,777</u>	<u>\$28,565</u>	<u>\$320,000</u>	<u>\$361,342</u>

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$8,356,448	\$ -	\$ -	\$8,356,448
Construction in process	3,933,054	-	(39,425)	3,893,629
Total	<u>12,289,502</u>	<u>-</u>	<u>(39,425)</u>	<u>12,250,077</u>
Capital assets, being depreciated:				
Infrastructure	<u>793,070</u>	<u>42,428</u>	<u>-</u>	<u>835,498</u>
Less accumulated depreciation for:				
Infrastructure	<u>181,362</u>	<u>16,333</u>		<u>197,695</u>
Total capital assets being depreciated - net	<u>611,708</u>	<u>26,095</u>	<u>-</u>	<u>637,803</u>
Governmental activities capital assets - net	<u>\$12,901,210</u>	<u>\$26,095</u>	<u>(\$39,425)</u>	<u>\$12,887,880</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Projects	<u>\$16,333</u>
Total depreciation expense - governmental activities	<u>\$16,333</u>

Note 6 LONG-TERM DEBT

The District issued a general obligation bond in 2002 to provide funds for capital improvements. The District issued a general obligation crossover refunding bond in 2007 to partially refund the 2002 bond on March 1, 2010. The District issued its Series 2011A 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 the Grey Cloud Island Slough Crossing Project.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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GOVERNMENTAL ACTIVITIES

As of December 31, 2015, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

	Interest Rates	Date	Final Maturity Date	Original Issue	Payable 12/31/15
General Obligation Bonds:					
\$2,795,000 Refunding Bonds 2007A	4.00%	12/27/2007	3/1/2017	\$2,795,000	\$1,010,000
\$3,945,000 G.O. Bonds 2011A	3.47%	5/1/2011	3/1/2031	3,945,000	3,595,000
Total General Obligation Bonds				6,740,000	4,605,000
Unamortized premium on bonds				-	41,213
Compensated absences payable				-	14,795
Total indebtedness - governmental activities				<u>\$6,740,000</u>	<u>\$4,661,008</u>

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

Year Ending December 31	General Obligation Bonds - Governmental Activities			
	G.O. Bonds		Refunding Bonds	
	Principal	Interest	Principal	Interest
2016	\$135,000	\$117,470	\$495,000	\$30,500
2017	155,000	114,570	515,000	10,300
2018	160,000	110,620	-	-
2019	175,000	105,595	-	-
2020	175,000	100,345	-	-
2021	200,000	94,970	-	-
2022	205,000	89,145	-	-
2023	235,000	82,545	-	-
2024	240,000	75,300	-	-
2025	250,000	67,518	-	-
2026	255,000	58,992	-	-
2027	265,000	49,760	-	-
2028	270,000	39,995	-	-
2029	280,000	29,400	-	-
2030	295,000	17,900	-	-
2031	300,000	6,000	-	-
Total	<u>\$3,595,000</u>	<u>\$1,160,125</u>	<u>\$1,010,000</u>	<u>\$40,800</u>

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation Bonds:					
\$2,795,000 Refunding Bonds 2007A	\$1,485,000	\$ -	\$475,000	\$1,010,000	\$495,000
\$3,945,000 G.O. Bonds 2011A	3,725,000	-	130,000	3,595,000	135,000
Subtotal	5,210,000	-	605,000	4,605,000	\$630,000
Unamortized premium on bonds	54,272	-	13,059	41,213	
Total General Obligation Bonds	<u>\$5,264,272</u>	<u>\$0</u>	<u>\$618,059</u>	<u>\$4,646,213</u>	
Compensated absences payable	<u>\$13,031</u>	<u>\$30,601</u>	<u>\$28,837</u>	<u>\$14,795</u>	<u>\$14,795</u>

All long-term bonded indebtedness outstanding at December 31, 2015 is backed by the full faith and credit of the District. Compensated absences are generally liquidated by the General Fund.

Note 7 CONTINGENCIES

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.

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

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

There were no significant reductions in insurance or settlements in excess of insurance coverage for 2015.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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B. LITIGATION

The District's management has indicated that there are no pending litigation's in which the District is involved that would have a material effect upon the District's financial statements.

Note 8 DEFINED BENEFIT PENSION PLANS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

B. PLAN DESCRIPTION

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

General Employees Retirement Fund (GERF)

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

C. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

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

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

SOUTH WASHINGTON WATERSHED DISTRICT
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GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

D. CONTRIBUTIONS

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The District was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The District's contributions to the GERF for the year ended December 31, 2015, were \$23,445. The District's contributions were equal to the required contributions as set by state statute.

E. PENSION COSTS

GERF Pension Costs

At December 31, 2015, the District reported a liability of \$248,761 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the District's proportion was .0048% which was an increase of .0006% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the District recognized pension expense of \$39, 959 for its proportionate share of the GERF's pension expense.

SOUTH WASHINGTON WATERSHED DISTRICT
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At December 31, 2015, the District reported its proportionate share of the GERS' 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	\$ -	\$12,542
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	23,549	-
Changes in proportion	21,139	-
Contributions paid to PERA subsequent to the measurement date	11,772	-
Total	\$56,460	\$12,542

\$11,772 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2016	\$8,752
2017	8,752
2018	8,754
2019	5,888
2020	-
Thereafter	-

F. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% effective every January 1st until 2034, and 2.5% thereafter.

SOUTH WASHINGTON WATERSHED DISTRICT
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Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

There are no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

G. DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
District's proportionate share of the GERF net pension liability	\$391,141	\$248,761	\$131,177

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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.

Note 9 FUND BALANCE

CLASSIFICATIONS

At December 31, 2015, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Planning and Implementation</u>	<u>Debt Service</u>	<u>Total</u>
Nonspendable:				
Prepays	\$16,820	\$2,023	\$ -	\$18,843
Restricted for:				
Debt service	-	-	454,958	454,958
Water quality and drainage improvements	-	1,245,088	-	1,245,088
Committed for:				
Planning and implementation	-	13,840,034	-	13,840,034
Assigned to:				
Planning and implementation	-	68,532	-	68,532
Unassigned	<u>361,975</u>	<u>-</u>	<u>-</u>	<u>361,975</u>
 Total	 <u>\$378,795</u>	 <u>\$15,155,677</u>	 <u>\$454,958</u>	 <u>\$15,989,430</u>

Note 10 STORMWATER UTILITY FEES

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

Note 11 ACCOUNTS PAYABLE

At December 31, 2015, a summary of the components of accounts payable were as follows:

Accounts payable	\$120,827
Due to other governments	<u>101,598</u>
Total	<u>\$222,425</u>

Note 12 COMMITTED CONTRACTS

At December 31, 2015, the District had committed contracts totaling \$6,447,103 for construction/repair projects.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 13 RECENTLY ISSUED ACCOUNTING STANDARDS

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

Statement No. 72 *Fair Value Measurement and Application*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

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

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

Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015.

Statement No. 77 *Tax Abatement Disclosures*. The provisions of this Statement are effective for reporting periods beginning after December 31, 2015.

Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 79 *Certain External Investment Pools and Pool Participants*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing which are effective for reporting periods beginning after December 15, 2015.

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

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

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 14 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. GASB 68 addresses accounting and financial reporting for pension plans that are provided to employees of state and local governments. The standard requires the District to record its share of the net pension liability of defined benefit plans, as well as any corresponding deferred inflows and outflows of resources. See Note 8 for further information.

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

	<u>Governmental Activities</u>
Net position - January 1, 2015, as previously reported	\$23,432,728
Prior period adjustment:	
Deferred outflows of resources - pension related	8,966
Net pension liability	<u>(197,295)</u>
Net position - January 1, 2015, as restated	<u><u>\$23,244,399</u></u>

Note 15 SUBSEQUENT EVENTS

The District issued \$3,070,000 G.O. Crossover Refunding Bonds, Series 2016A on February 17, 2016. The bonds will crossover refund the 2020 – 2031 maturities of the District’s G.O. Bonds, Series 2011A on March 1, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH WASHINGTON WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Statement 6

For The Year Ended December 31, 2015
 With Comparative Actual Amounts For The Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Revenues:					
General property taxes	\$249,772	\$249,772	\$295,157	\$45,385	\$287,533
Intergovernmental - other	228	228	228	-	133
Investment income	-	-	195	195	171
Other	-	-	3,741	3,741	1,630
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>299,321</u>	<u>49,321</u>	<u>289,467</u>
Expenditures:					
Current:					
Legal	1,591	1,591	5,880	(4,289)	7,363
Accounting and auditing	31,620	31,620	18,943	12,677	18,818
Other consulting	-	-	-	-	1,260
Salary and benefits	173,389	173,389	184,098	(10,709)	164,505
Manager's per diem and expenses	28,500	28,500	15,092	13,408	14,875
Insurance	12,731	12,731	18,529	(5,798)	14,213
Dues	6,365	6,365	4,092	2,273	5,177
Rent	22,831	22,831	28,042	(5,211)	24,270
Equipment	9,200	9,200	9,419	(219)	14,234
Office supplies and other	12,545	12,545	18,515	(5,970)	37,263
Total expenditures	<u>298,772</u>	<u>298,772</u>	<u>302,610</u>	<u>(3,838)</u>	<u>301,978</u>
Revenues over (under) expenditures	<u>(\$48,772)</u>	<u>(\$48,772)</u>	(3,289)	<u>\$45,483</u>	(12,511)
Fund balance - January 1			<u>382,084</u>		<u>394,595</u>
Fund balance - December 31			<u>\$378,795</u>		<u>\$382,084</u>

SOUTH WASHINGTON WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY* -
GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2015

Statement 7

<u>Measurement Date</u>	<u>Fiscal Year Ending</u>	<u>Proportion (Percentage) of the Net Pension Liability</u>	<u>Proportionate Share (Amount) of the Net Pension Liability (a)</u>	<u>Covered-Employee Payroll (b)</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	December 31, 2015	0.0048%	\$248,761	\$279,308	89.1%	78.2%

* The schedule is provided prospectively beginning with the District's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

SOUTH WASHINGTON WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS* - GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2015

Statement 8

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
December 31, 2015	\$23,445	\$23,445	\$0	\$312,604	7.5%

* The schedule is provided prospectively beginning with the District's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**SOUTH WASHINGTON WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO RSI
December 31, 2015**

Note A LEGAL COMPLIANCE – BUDGETS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level for the General Fund.

Note B PENSION INFORMATION

PERA – General Employees Retirement Fund

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in the notes. Details can be obtained from the financial reports of PERA.

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INDIVIDUAL FUND FINANCIAL STATEMENTS

SOUTH WASHINGTON WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
GENERAL FUND
December 31, 2015
With Comparative Amounts For December 31, 2014

Statement 9

Assets	2015	2014
Cash and investments	\$372,153	\$411,652
Accounts receivable	-	1,452
Taxes receivable:		
Delinquent	4,425	3,262
Due from county	1,446	1,178
Prepaid items	16,820	15,096
 Total assets	 \$394,844	 \$432,640
 Liabilities, deferred inflows of resources, and fund balance		
Liabilities:		
Accounts payable	\$8,145	\$44,132
Salaries payable	3,479	3,162
Total liabilities	11,624	47,294
Deferred inflows of resources:		
Unavailable revenue	4,425	3,262
Fund balance:		
Nonspendable	16,820	15,096
Unassigned	361,975	366,988
Total fund balance	378,795	382,084
 Total liabilities, deferred inflows of resources, and fund balance	 \$394,844	 \$432,640

SOUTH WASHINGTON WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
For The Year Ended December 31, 2015
With Comparative Amounts For The Year Ended December 31, 2014

Statement 10

	<u>2015</u>	<u>2014</u>
Revenues:		
General property taxes	\$295,157	\$287,533
Intergovernmental - other	228	133
Investment income	195	171
Other	3,741	1,630
Total revenues	<u>299,321</u>	<u>289,467</u>
Expenditures:		
Current:		
Professional services:		
Legal	5,880	7,363
Accounting and auditing	18,943	18,818
Other consulting	-	1,260
Salary and benefits	184,098	164,505
Manager's per diem and expenses	15,092	14,875
Insurance	18,529	14,213
Dues	4,092	5,177
Rent	28,042	24,270
Equipment	9,419	14,234
Office supplies and other	18,515	37,263
Total expenditures	<u>302,610</u>	<u>301,978</u>
Revenues over (under) expenditures	(3,289)	(12,511)
Fund balance - January 1	<u>382,084</u>	<u>394,595</u>
Fund balance - December 31	<u><u>\$378,795</u></u>	<u><u>\$382,084</u></u>

SOUTH WASHINGTON WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
PLANNING AND IMPLEMENTATION FUND
December 31, 2015
With Comparative Amounts For December 31, 2014

Statement 11

	<u>2015</u>	<u>2014</u>
Assets		
Cash and investments	\$14,131,390	\$13,762,260
Restricted cash and investments	1,253,560	1,275,674
Due from other governments	328,251	359,159
Taxes receivable:		
Delinquent	8,352	6,887
Due from county	2,294	1,850
Stormwater utility fees receivable:		
Delinquent	5,895	17,306
Due from county	13,149	8,806
Prepaid items	<u>2,023</u>	<u>-</u>
 Total assets	 <u><u>\$15,744,914</u></u>	 <u><u>\$15,431,942</u></u>
 Liabilities, deferred inflows of resources, and fund balance		
Liabilities:		
Accounts payable	\$214,280	\$296,651
Salaries payable	5,877	2,954
Contracts payable	34,833	25,607
Unearned revenue	-	69,608
Total liabilities	<u>254,990</u>	<u>394,820</u>
Deferred inflows of resources:		
Unavailable revenue	<u>334,247</u>	<u>364,193</u>
Fund balance:		
Nonspendable	2,023	-
Restricted	1,245,088	1,267,214
Committed	13,840,034	13,345,890
Assigned	<u>68,532</u>	<u>59,825</u>
Total fund balance	<u>15,155,677</u>	<u>14,672,929</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u><u>\$15,744,914</u></u>	 <u><u>\$15,431,942</u></u>

SOUTH WASHINGTON WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
PLANNING AND IMPLEMENTATION FUND
For The Year Ended December 31, 2015
With Comparative Amounts For The Year Ended December 31, 2014

Statement 12

	<u>2015</u>	<u>2014</u>
Revenues:		
General property taxes	\$473,029	\$454,268
Stormwater utility fees	2,081,836	2,045,056
Permits	1,500	6,500
Intergovernmental	168,721	127,137
Investment income	1,674	1,479
Other	5,529	5,279
Total revenues	<u>2,732,289</u>	<u>2,639,719</u>
Expenditures:		
Current:		
Legal	7,707	7,503
Engineering	370,863	136,285
Salaries and benefits	193,080	109,952
Projects and studies	1,677,891	1,369,187
Total expenditures	<u>2,249,541</u>	<u>1,622,927</u>
Revenues over (under) expenditures	482,748	1,016,792
Fund balance - January 1	<u>14,672,929</u>	<u>13,656,137</u>
Fund balance - December 31	<u><u>\$15,155,677</u></u>	<u><u>\$14,672,929</u></u>

SOUTH WASHINGTON WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
DEBT SERVICE FUND
December 31, 2015
With Comparative Amounts For December 31, 2014

Statement 13

	<u>2015</u>	<u>2014</u>
Assets		
Cash and investments	\$441,161	\$417,980
Restricted cash and investments	8,738	8,738
Stormwater utility fees receivable:		
Delinquent	22,670	18,067
Due from county	<u>5,059</u>	<u>3,425</u>
Total assets	<u><u>\$477,628</u></u>	<u><u>\$448,210</u></u>
Liabilities, deferred inflows of resources, and fund balance		
Liabilities:		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
Deferred inflows of resources:		
Unavailable revenue	<u>22,670</u>	<u>18,067</u>
Fund balance:		
Restricted	<u>454,958</u>	<u>430,143</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$477,628</u></u>	<u><u>\$448,210</u></u>

SOUTH WASHINGTON WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
DEBT SERVICE FUND
For The Year Ended December 31, 2015
With Comparative Amounts For The Year Ended December 31, 2014

Statement 14

	<u>2015</u>	<u>2014</u>
Revenues:		
Stormwater utility fees	\$802,619	\$796,676
Investment income	521	468
Total revenues	<u>803,140</u>	<u>797,144</u>
Expenditures:		
Debt service:		
Principal	605,000	565,000
Interest	172,395	195,770
Fiscal agent fees	930	930
Total expenditures	<u>778,325</u>	<u>761,700</u>
Revenues over expenditures	24,815	35,444
Fund balance - January 1	<u>430,143</u>	<u>394,699</u>
Fund balance - December 31	<u><u>\$454,958</u></u>	<u><u>\$430,143</u></u>

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SUPPLEMENTARY FINANCIAL INFORMATION

SOUTH WASHINGTON WATERSHED DISTRICT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUND - PLANNING AND IMPLEMENTATION FUND
December 31, 2015
With Comparative Totals For December 31, 2014

	1.0 Floodplain Management	2.0 Stormwater Management	3.0 Water Quality	4.0 Wetlands	5.0 Natural Resources
Assets					
Cash and investments	\$231,272	\$7,335,355	\$1,902,171	\$221,145	\$598,904
Restricted cash and investments	-	1,253,560	-	-	-
Due from other governments	-	328,251	-	-	-
Taxes receivable:					
Delinquent	-	-	-	-	-
Due from county	25	160	627	-	19
Stormwater utility fees receivable:					
Delinquent	-	-	-	-	-
Due from county	40	7,125	1,635	-	256
Prepaid expense	56	314	553	215	70
Total assets	\$231,393	\$8,924,765	\$1,904,986	\$221,360	\$599,249
Liabilities, inflow of resources, and fund balance					
Liabilities:					
Accounts payable	\$ -	\$104,723	\$1,938	\$ -	\$ -
Contracts payable	-	34,833	-	-	-
Salaries payable	157	851	1,654	907	187
Unearned revenue	-	-	-	-	-
Total liabilities	157	140,407	3,592	907	187
Deferred inflows of resources:					
Unavailable revenue	-	320,000	-	-	-
Fund balance:					
Nonspendable	56	314	553	215	70
Restricted	-	1,245,088	-	-	-
Committed	231,099	7,201,730	1,899,680	220,199	564,905
Assigned	81	17,226	1,161	39	34,087
Total fund balance	231,236	8,464,358	1,901,394	220,453	599,062
Total liabilities, inflow of resources, and fund balance	\$231,393	\$8,924,765	\$1,904,986	\$221,360	\$599,249

6.0 Groundwater	7.0 Erosion Sediment Control	8.0 Education	9.0 Long Range Workplan	10.0 Data Management	Totals	
					2015	2014
\$1,095,849	\$149,974	\$293,452	\$1,900,616	\$402,652	\$14,131,390	\$13,762,260
-	-	-	-	-	1,253,560	1,275,674
-	-	-	-	-	328,251	359,159
-	-	-	-	8,352	8,352	6,887
163	68	214	157	861	2,294	1,850
-	-	-	-	5,895	5,895	17,306
563	-	-	3,530	-	13,149	8,806
52	153	45	272	293	2,023	-
<u>\$1,096,627</u>	<u>\$150,195</u>	<u>\$293,711</u>	<u>\$1,904,575</u>	<u>\$418,053</u>	<u>\$15,744,914</u>	<u>\$15,431,942</u>
\$ -	\$ -	\$5,500	\$60,598	\$41,521	\$214,280	\$296,651
-	-	-	-	-	34,833	25,607
148	414	142	649	768	5,877	2,954
-	-	-	-	-	-	69,608
<u>148</u>	<u>414</u>	<u>5,642</u>	<u>61,247</u>	<u>42,289</u>	<u>254,990</u>	<u>394,820</u>
-	-	-	-	14,247	334,247	364,193
52	153	45	272	293	2,023	-
-	-	-	-	-	1,245,088	1,267,214
1,096,133	149,600	287,879	1,841,246	347,563	13,840,034	13,345,890
294	28	145	1,810	13,661	68,532	59,825
<u>1,096,479</u>	<u>149,781</u>	<u>288,069</u>	<u>1,843,328</u>	<u>361,517</u>	<u>15,155,677</u>	<u>14,672,929</u>
<u>\$1,096,627</u>	<u>\$150,195</u>	<u>\$293,711</u>	<u>\$1,904,575</u>	<u>\$418,053</u>	<u>\$15,744,914</u>	<u>\$15,431,942</u>

SOUTH WASHINGTON WATERSHED DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND - PLANNING AND IMPLEMENTATION FUND
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	<u>1.0 Floodplain Management</u>	<u>2.0 Stormwater Management</u>	<u>3.0 Water Quality</u>	<u>4.0 Wetlands</u>	<u>5.0 Natural Resources</u>
Revenues:					
Property taxes	\$5,019	\$32,601	\$127,933	\$33,312	\$3,952
Stormwater utility fees	6,282	1,130,203	259,331	-	40,608
Permits	-	-	-	-	-
Intergovernmental	4	48,529	119,949	26	3
Investment income	7	768	252	22	29
Miscellaneous	-	250	-	-	5,279
Total revenues	<u>11,312</u>	<u>1,212,351</u>	<u>507,465</u>	<u>33,360</u>	<u>49,871</u>
Expenditures:					
Current:					
Legal	-	7,707	-	-	-
Engineering	1,112	369,751	-	-	-
Salaries and benefits	5,270	28,063	54,214	30,366	6,181
Projects and studies	-	1,130,529	213,183	163	23,362
Total expenditures	<u>6,382</u>	<u>1,536,050</u>	<u>267,397</u>	<u>30,529</u>	<u>29,543</u>
Revenues over (under) expenditures	4,930	(323,699)	240,068	2,831	20,328
Fund balance - January 1	<u>226,306</u>	<u>8,788,057</u>	<u>1,661,326</u>	<u>217,622</u>	<u>578,734</u>
Fund balance - December 31	<u>\$231,236</u>	<u>\$8,464,358</u>	<u>\$1,901,394</u>	<u>\$220,453</u>	<u>\$599,062</u>

6.0 Groundwater	7.0 Erosion Sediment Control	8.0 Education	9.0 Long Range Workplan	10.0 Data Management	Totals	
					2015	2014
\$4,940	\$13,988	\$43,567	\$31,950	\$175,767	\$473,029	\$454,268
85,438	-	-	559,974	-	2,081,836	2,045,056
-	-	-	-	1,500	1,500	6,500
4	11	34	25	136	168,721	127,134
58	9	29	384	116	1,674	1,482
-	-	-	-	-	5,529	5,279
<u>90,440</u>	<u>14,008</u>	<u>43,630</u>	<u>592,333</u>	<u>177,519</u>	<u>2,732,289</u>	<u>2,639,719</u>
-	-	-	-	-	7,707	7,503
-	-	-	-	-	370,863	136,285
4,865	13,625	4,581	20,974	24,941	193,080	109,952
<u>22,500</u>	<u>-</u>	<u>23,500</u>	<u>60,598</u>	<u>204,056</u>	<u>1,677,891</u>	<u>1,369,187</u>
<u>27,365</u>	<u>13,625</u>	<u>28,081</u>	<u>81,572</u>	<u>228,997</u>	<u>2,249,541</u>	<u>1,622,927</u>
63,075	383	15,549	510,761	(51,478)	482,748	1,016,792
<u>1,033,404</u>	<u>149,398</u>	<u>272,520</u>	<u>1,332,567</u>	<u>412,995</u>	<u>14,672,929</u>	<u>13,656,137</u>
<u>\$1,096,479</u>	<u>\$149,781</u>	<u>\$288,069</u>	<u>\$1,843,328</u>	<u>\$361,517</u>	<u>\$15,155,677</u>	<u>\$14,672,929</u>

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OTHER INFORMATION - UNAUDITED

SOUTH WASHINGTON WATERSHED DISTRICT
COMBINED SCHEDULE OF BONDED INDEBTEDNESS
December 31, 2015

	<u>Interest Rates</u>	<u>Date</u>	<u>Final Maturity Date</u>
General Obligation Bonds:			
Crossover Refunding Bonds of 2007A	4.00%	12/27/2007	3/1/2017
G.O. Bonds of 2011A	3.47%	5/1/2011	3/1/2031
 Total			

Prior Years		Payable 01/01/15	2015		Payable 12/31/15	Principal Due In 2016	Interest Due In 2016	Interest Payable to Maturity
Original Issue	Payments		Issued	Payments				
\$2,795,000	\$1,310,000	\$1,485,000	\$ -	\$475,000	\$1,010,000	\$495,000	\$30,500	\$40,800
3,945,000	220,000	3,725,000	-	130,000	3,595,000	135,000	117,470	1,160,125
<u>\$6,740,000</u>	<u>\$1,530,000</u>	<u>\$5,210,000</u>	<u>\$0</u>	<u>\$605,000</u>	<u>\$4,605,000</u>	<u>\$630,000</u>	<u>\$147,970</u>	<u>\$1,200,925</u>

SOUTH WASHINGTON WATERSHED DISTRICT
TAXABLE VALUATIONS, TAX LEVIES AND TAX RATES

Exhibit 2

	Tax Capacity Values <u>2015/2016</u>	Tax Capacity Values <u>2014/2015</u>	Tax Capacity Values <u>2013/2014</u>	Tax Capacity Values <u>2012/2013</u>
Taxable valuations:				
Real estate	\$110,199,092	\$106,026,391	\$92,671,717	\$88,701,090
Personal property	2,201,849	2,093,645	2,031,095	2,003,137
Total	<u>112,400,941</u>	<u>108,120,036</u>	<u>94,702,812</u>	<u>90,704,227</u>
Tax increment captured	(809,146)	(744,925)	(758,479)	(1,127,089)
Fiscal disparities:				
Distribution	12,055,995	11,983,912	11,929,117	11,981,051
Contribution	<u>(8,690,862)</u>	<u>(8,286,528)</u>	<u>(8,105,430)</u>	<u>(8,488,654)</u>
Total	<u><u>\$114,956,928</u></u>	<u><u>\$111,072,495</u></u>	<u><u>\$97,768,020</u></u>	<u><u>\$93,069,535</u></u>
	<u>2015/2016</u>	<u>2014/2015</u>	<u>2013/2014</u>	<u>2012/2013</u>
	Certified Levy <u> </u>	Certified Levy <u> </u>	Certified Levy <u> </u>	Certified Levy <u> </u>
Taxes levied:				
Administration levy	\$250,000	\$250,000	\$250,000	\$250,000
Management plan implementation levy	<u>608,337</u>	<u>527,591</u>	<u>496,293</u>	<u>468,025</u>
Total	<u><u>\$858,337</u></u>	<u><u>\$777,591</u></u>	<u><u>\$746,293</u></u>	<u><u>\$718,025</u></u>

OTHER REPORTS

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REPORT ON INTERNAL CONTROL

To the Board of Managers and Management
South Washington Watershed District
Woodbury, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the South Washington Watershed District as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered South Washington Watershed District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Washington Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Washington Watershed District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the South Washington Watershed District's internal control as presented in the accompanying Schedule of Findings and Responses as item 2015-001 to be a significant deficiency.

The South Washington Watershed District's written response to the significant deficiency identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the South Washington Watershed District's response and, accordingly, we express no opinion on it.

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 7, 2016

South Washington Watershed District
Report on Internal Control
Schedule of Findings and Responses

2015-001 Lack of Segregation of Duties

Criteria: Generally, a system of internal control contemplates segregation of duties such that no individual has responsibility to execute a transaction, has physical access to the related assets, and has responsibility or authority to record the transaction.

Condition: Substantially all accounting procedures are performed by one person.

Cause: This condition is common to organizations of this size due to a limited number of staff.

Effect: The lack of ideal segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner.

Recommendation: Any modification of internal controls in this area needs to be viewed from a cost/benefit perspective.

Management Response: The District has internal control policies and procedures in place to adequately compensate for the lack of segregation of duties, such as having all disbursements reviewed and approved by staff, administration, and the Board. Any modifications will be viewed from a cost/benefit perspective.

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MINNESOTA LEGAL COMPLIANCE REPORT

To the 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 South Washington Watershed District, as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated April 7, 2016.

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

In connection with our audit, nothing came to our attention that caused us to believe that South Washington Watershed District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the South Washington Watershed District's noncompliance with the above referenced provisions.

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 7, 2016

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