

RESOLUTION

RESOLUTION NUMBER: 16-026

TITLE: Acceptance of 2015 Annual Financial Audit

WHEREAS, the 2015 Annual Financial Audit was presented to the MCWD Board on March 24, 2016 by its Auditor, Redpath and Company; and

WHEREAS, the Audit has been reviewed by the District Administrator, the District's Support Services Director, and the MCWD Board Treasurer; and

WHEREAS, the Audit has been reviewed by the MCWD Board Executive Committee independent of District staff or the MCWD Board Treasurer; and

WHEREAS, the Executive Committee recommends acceptance of the 2015 Annual Financial Audit; and

BE IT RESOLVED that the MCWD accepts the 2015 Annual Financial Audit and releases it to the Minnesota State Auditor, the Board of Water and Soil Resources, Hennepin County, and Wells Fargo.

Resolution Number 16-026 was moved by Manager _____, seconded by Manager _____.
Motion to adopt the resolution _____ ayes, _____ nays, _____ abstentions. Date 3-24-16.

Kurt Rogness, Secretary

Date: _____

MINNEHAHA CREEK WATERSHED DISTRICT

ANNUAL FINANCIAL REPORT

December 31, 2015

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MINNEHAHA CREEK WATERSHED DISTRICT
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INTRODUCTORY SECTION

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Board of Managers:

Term Expires

Sherry Davis White - President

March, 2018

Brian Shekleton - Vice President

March, 2016

Richard Miller - Treasurer

March, 2017

Kurt Rogness - Secretary

March, 2018

James Calkins

March, 2016

Pamela Blixt

March, 2017

Bill Olson

March, 2016

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Managers of the
Minnehaha Creek Watershed District
Deephaven, Minnesota

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

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 the Minnehaha Creek 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 7 and 15 to the financial statements, Minnehaha Creek 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.

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 38 through 41 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 Minnehaha Creek Watershed District's basic financial statements. The introductory section, supplementary financial information, and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary financial information is the responsibility of management and was 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 supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and other information section 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.
St. Paul, Minnesota

_____, 2016

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BASIC FINANCIAL STATEMENTS

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MINNEHAHA CREEK WATERSHED DISTRICT
 STATEMENT OF NET POSITION
 December 31, 2015

Statement 1

	Primary Government Governmental Activities 2015
Assets:	
Cash and investments	\$18,316,581
Accounts receivable - net	13,780
Due from other governments	1,638,195
Mortgage receivable	312,963
Prepaid item	47,884
Property taxes receivable:	
Delinquent	76,826
Due from county	51,273
Capital assets - net:	
Depreciable	3,038,836
Nondepreciable	29,923,101
Total assets	<u>53,419,439</u>
Deferred outflows of resources:	
Related to pensions	<u>260,198</u>
Liabilities:	
Accounts payable	189,031
Salaries payable	54,379
Due to other governments	1,189,910
Unearned revenue	429,628
Contracts payable	165,524
Rental deposits payable	50,340
Surety deposits payable	1,029,082
Accrued interest payable	163,938
Unamortized loan premiums	549,320
Compensated absences payable:	
Due within one year	38,222
Due in more than one year	110,953
Loans payable:	
Due within one year	2,225,000
Due in more than one year	26,375,000
Due to the City of Richfield:	
Due within one year	174,855
Due in more than one year	2,916,835
Net pension liability:	
Due in more than one year	1,248,987
Total liabilities	<u>36,911,004</u>
Deferred inflow of resources:	
Related to pensions	<u>62,970</u>
Net position:	
Net investment in capital assets	3,812,617
Unrestricted	12,893,046
Total net position	<u>\$16,705,663</u>

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

MINNEHAHA CREEK WATERSHED DISTRICT

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2015

Statement 2

Functions/Programs:	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions		Primary Government Totals
					2015
Primary government:					
Governmental activities:					
General government	\$3,142,503	\$ -	\$ -	\$ -	(\$3,142,503)
Programs	1,634,265	104,986	85,540	-	(1,443,739)
Projects	5,812,526	1,384,135	2,532,813	-	(1,895,578)
Interest on long-term debt	935,104	-	-	-	(935,104)
Total governmental activities	<u>\$11,524,398</u>	<u>\$1,489,121</u>	<u>\$2,618,353</u>	<u>\$0</u>	<u>(7,416,924)</u>
General revenues:					
Property taxes					8,284,343
Grants and contributions not restricted to specific programs					906
Unrestricted investment earnings					69,773
Miscellaneous other					38,903
Total general revenues					<u>8,393,925</u>
Change in net position					<u>977,001</u>
Net position - January 1, as previously reported					16,701,274
Prior period adjustment					<u>(972,612)</u>
Net position - January 1, as restated					<u>15,728,662</u>
Net position - December 31					<u><u>\$16,705,663</u></u>

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

MINNEHAHA CREEK WATERSHED DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 December 31, 2015

Statement 3

Assets	Management Planning Fund <u>2015</u>
Cash and investments	\$18,316,581
Accounts receivable - net	13,780
Due from other governments	1,638,195
Mortgage receivable	312,963
Prepaid item	47,884
Property taxes receivable:	
Delinquent	76,826
Due from county	51,273
Total assets	<u>\$20,457,502</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances	
Liabilities:	
Accounts payable	\$189,031
Salaries payable	54,379
Due to other governments	1,189,910
Contracts payable	165,524
Rental deposit payable	50,340
Surety deposit payable	1,029,082
Unearned revenue	429,628
Total liabilities	<u>3,107,894</u>
Deferred inflows of resources:	
Unavailable revenue	389,789
Total deferred inflows of resources	<u>389,789</u>
Fund balance:	
Nonspendable	47,884
Assigned	16,911,935
Total fund balance	<u>16,959,819</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$20,457,502</u>
Fund balance reported above	\$16,959,819
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.	32,961,937
Deferred outflows of resources - pension related are not current financial resources and, therefore, are not reported in the funds.	260,198
Long-term liabilities, including compensated absences payable, loans payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	(33,803,110)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	389,789
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.	<u>(62,970)</u>
Net position of governmental activities	<u>\$16,705,663</u>

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

MINNEHAHA CREEK WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015

Statement 4

	Management Planning Fund <u>2015</u>
Revenues:	
General property taxes	\$8,266,011
Intergovernmental - other	2,619,259
Permits	104,986
Investment income	69,773
Rental income	1,384,135
Other	40,269
Total revenues	<u>12,484,433</u>
Expenditures:	
Current:	
General government	2,916,177
Programs	1,624,457
Projects	5,768,681
Debt service:	
Principal	1,886,255
Interest	978,753
Capital outlay - land/buildings/easements	13,439
Total expenditures	<u>13,187,762</u>
Revenues over (under) expenditures	<u>(703,329)</u>
Other financing sources (uses):	
Transfers in	2,616,782
Transfers out	(2,616,782)
Total other financing sources (uses)	<u>0</u>
Net change in fund balance	(703,329)
Fund balance - January 1	<u>17,663,148</u>
Fund balance - December 31	<u><u>\$16,959,819</u></u>

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

MINNEHAHA CREEK WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
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)	(\$703,329)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(141,206)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	16,966
The issuance of long-term debt (e.g., loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,886,255
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.	(2,539)
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:	
Pension contributions	114,171
Pension expense	(193,317)
	<u>(79,146)</u>
Change in net position of governmental activities (Statement 2)	<u><u>\$977,001</u></u>

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

Minnehaha Creek Watershed District (the District) was created in 1967 under the Minnesota Watershed Act as amended by the Minnesota Water Resources Board as provided in Minnesota Statutes Chapter 112. The District is operated by a seven member Board of Managers appointed by the Hennepin and Carver County Boards of Commissioners for three year terms. Approximately 150 square miles of the District is in Hennepin County, while 30 square miles is in Carver County. The District includes all or part of 27 cities and 3 townships. In accordance with GASB pronouncements and generally accepted accounting principles, the financial statements of the reporting entity should include the primary government and its component units. The District (primary government) does not have any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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 fund:

Management Planning Fund Minn. Stat. Sec. 103B.241, subd. 1. - was established for the preparation of an overall plan for projects and improvements, and for projects and improvements to implement the approved plan. The Fund collects an ad valorem tax levy. The District levies out of Minnesota Statute Section 103B. Exhibit 1 shows the breakdown between projects.

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.

D. BUDGETARY DATA

The Board of Managers adopts an annual budget for the Management Planning Fund on an annual basis. During the budget year, supplemental appropriations and deletions are or may be authorized by the Board. The modified accrual basis of accounting is used by the District for budgeting data. All appropriations end with the fiscal year for which they were made.

The District monitors budget performances on the fund basis. All amounts over budget have been approved by the Board through the disbursement approval process.

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

E. CASH AND INVESTMENTS

In accordance with the provisions of GASB No. 31, the District reports investments at fair value, based upon quoted market prices, in the financial statements. The District has reported all investment income, including changes in fair value of investments, as revenue in the operating statements.

F. PROPERTY TAX REVENUE RECOGNITION

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

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 City 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.

G. INVENTORIES

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

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets, and intangible assets such as 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. 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

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

in 2004 and has elected not to report infrastructure assets acquired in years prior to 2004. The District did not acquire any infrastructure assets during 2004 through 2015.

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 has elected not to report intangible assets acquired in years prior to 2010.

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

Cold storage building	3 years (useful life)
Buildings, structures and land improvements	30 years
Equipment	5 years
Vehicles	5 years
Furniture	5 years

I. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and accumulated sick leave benefits that is vested as severance pay 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. 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.

J. FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

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.

K. USE OF ESTIMATES

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

L. 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.

M. LONG-TERM OBLIGATION

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

N. 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 watershed has one item that qualifies for reporting in this category. It is the pension related deferred outflows of resources reported in the government-wide Statement of Net Position.

In addition to liabilities, the statement of 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 Pension. The government also has a type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from property taxes and mortgage receivable.

O. 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 compensated absences payable, loans payable, and other long-term obligations are not due and payable in the current period and therefore are not reported in the funds.” The detail of this (\$33,803,110) difference is as follows:

Loans payable	(\$28,600,000)
Unamortized loan premium	(549,320)
Accrued interest payable	(163,938)
Compensated absences	(149,175)
Due to the City of Richfield	(3,091,690)
Net pension liability	<u>(1,248,987)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities.	<u><u>(\$33,803,110)</u></u>

Another element of that reconciliation explains that “long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.” The detail of this \$389,789 difference is as follows:

Delinquent taxes	\$76,826
Mortgage receivable	<u>312,963</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$389,789</u></u>

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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 balances 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 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 detail of this (\$141,206) difference is as follows:

Capital outlay	\$13,439
Depreciation expense	<u>(154,645)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u><u>(\$141,206)</u></u>

Another 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 \$16,966 difference is as follows:

Unavailable revenue - general property taxes:	
At December 31, 2014	(\$58,494)
At December 31, 2015	76,826
Unavailable revenue - mortgage receivable:	
At December 31, 2014	(314,329)
At December 31, 2015	<u>312,963</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>\$16,966</u></u>

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Another element of that reconciliation states that “the issuance of long-term debt (e.g., loans) provides current financial resources to governmental funds, while the repayment of principal of the long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$1,886,255 difference is as follows:

Loan principal repayments	\$1,710,000
Due to the City of Richfield repayments	<u>176,255</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$1,886,255</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 (\$2,539) difference is as follows:

Amortization of debt premium/discount	\$33,827
Compensated absences	(46,187)
Accrued interest	(124,054)
Prepaid debt interest expensed on statement of activities in prior year	<u>133,875</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>(\$2,539)</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 Board, all of which are members of the Federal Reserve System.

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

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District 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;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;

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- 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) Unrated 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.

Custodial Credit Risk- Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that insurance, surety bonds or collateral protect all District deposits. The market value of collateral pledged must equal 110% of deposit not covered by insurance of bonds. The District has no additional deposit policies addressing custodial credit risk. At December 31, 2015 the carrying amount of the District's deposits was \$18,316,581 and the bank balance was \$18,382,019. The entire bank balance was covered by federal depository insurance, surety bonds or perfected collateral held by the District's agent in the District's name.

B. INVESTMENTS

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 acceptance of United States banks eligible for purchase by the Federal Reserve System.
- 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.

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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.

The District did not invest in any of the above listed investments during 2015.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. The District follows State Statutes in regards to credit risk of investments. The District's investment policy states the District will cross-check all depositories under consideration against existing investments to ensure that funds in excess of insurance limits are not deposited with the same insitution unless collateralized.

Interest Rate Risk. Interest rate risk is the risk that changes in the interest rates of debt investments could adversely affect the fair value of an investment. The District's investment policy states that the District will minimize interest rate risk by structuring its investment portfolio to ensure that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

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

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

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

Note 3 RECEIVABLES

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

	<u>Management Planning</u>
Delinquent property taxes	\$44,800
Mortgage receivable	<u>311,576</u>
Total	<u><u>\$356,376</u></u>

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Note 4 UNAVAILABLE REVENUES

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

	Property Taxes	Mortgage Receivable	Total
Management Planning Fund	\$76,826	\$312,963	\$389,789

Note 5 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$29,819,481	\$ -	\$ -	\$29,819,481
Easements	103,620	-	-	103,620
Total capital assets, not being depreciated	29,923,101	0	0	29,923,101
Capital assets, being depreciated:				
Buildings and improvements	3,676,449	-	-	3,676,449
Land improvements	1,237,357	-	-	1,237,357
Furniture	122,917	-	-	122,917
Equipment	170,102	13,439	-	183,541
Vehicle	146,896	-	-	146,896
Total capital assets, being depreciated	5,353,721	13,439	0	5,367,160
Less accumulated depreciation for:				
Buildings and improvements	1,909,245	103,317	-	2,012,562
Furniture	36,876	24,584	-	61,460
Equipment	139,460	11,442	-	150,902
Vehicle	88,098	15,302	-	103,400
Total accumulated depreciation	2,173,679	154,645	0	2,328,324
Total capital assets being depreciated - net	3,180,042	(141,206)	-	3,038,836
Governmental activities capital assets - net	\$33,103,143	(\$141,206)	\$0	\$32,961,937

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

Governmental activities:	
General government	\$100,992
Program	9,808
Projects	<u>43,845</u>
Total	<u><u>\$154,645</u></u>

Note 6 LONG-TERM DEBT

The District issued loans to provide funds for the acquisition of land and buildings. The District has also agreed to service the debt of the City of Richfield that was used to construct the storm water treatment facility.

GOVERNMENTAL ACTIVITIES

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

	<u>Interest Rates</u>	<u>Date</u>	<u>Final Maturity Date</u>	<u>Original Issue</u>	<u>Payable 12/31/15</u>
Loan payable:					
2010B Loan	2.00 - 3.50%	9/15/2010	12/1/2030	\$3,190,000	\$2,575,000
2011 A-1 Loan	2.00 - 4.00%	11/15/2011	12/1/2031	4,715,000	4,050,000
2011A Wells Fargo Loan	3.57%	9/1/2013	10/1/2018	15,000,000	14,000,000
2012 Wells Fargo Loan	varies*	11/13/2012	11/1/2032	2,000,000	1,700,000
2013B Loan	2.00 - 3.00%	6/1/2013	12/1/2032	7,075,000	6,275,000
Due to the City of Richfield	N/A	3/20/2013	2/1/2033	<u>3,455,258</u>	<u>3,091,690</u>
				<u>35,435,258</u>	<u>31,691,690</u>
Compensated absences payable					<u>149,175</u>
Total District indebtedness - governmental activities				<u><u>\$35,435,258</u></u>	<u><u>\$31,840,865</u></u>

* Variable rate, equal to federal funds target rate

	<u>2010 B Loan</u>		<u>2011A 1 Loan</u>		<u>2011A Wells Fargo Loan</u>		<u>2012 Wells Fargo Loan</u>		<u>2013B Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest*</u>	<u>Principal</u>	<u>Interest</u>
2016	140,000	79,363	190,000	149,369	1,500,000	499,800	100,000	28,135	295,000	164,838
2017	145,000	75,163	195,000	141,769	2,500,000	446,250	100,000	26,453	305,000	155,988
2018	145,000	70,812	205,000	133,969	10,000,000	357,000	100,000	24,774	315,000	146,838
2019	150,000	66,463	215,000	125,769	-	-	100,000	23,094	325,000	137,387
2020	155,000	63,463	220,000	117,169	-	-	100,000	21,531	335,000	127,638
2021-2025	850,000	236,813	1,240,000	453,594	-	-	500,000	81,936	1,805,000	503,436
2026-2030	990,000	99,850	1,460,000	234,288	-	-	500,000	39,844	2,010,000	298,913
2031-2034	-	-	325,000	13,000	-	-	200,000	4,204	885,000	40,050
Total	<u>\$2,575,000</u>	<u>\$691,927</u>	<u>\$4,050,000</u>	<u>\$1,368,927</u>	<u>\$14,000,000</u>	<u>\$1,303,050</u>	<u>\$1,700,000</u>	<u>\$249,971</u>	<u>\$6,275,000</u>	<u>\$1,575,088</u>

* Variable rate is reset each month, interest is estimated

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During 2013, the District entered into a cooperative agreement with the City of Richfield. The agreement called for the City to finance and design a regional storm water treatment facility. The City issued bonds in the amount of \$2,770,000 to finance the construction, which per the agreement, the District agreed to service. The agreement requires the District to cover the annual debt service payments, both principal and interest. Total amount due to the City of Richfield at December 31, 2015 was as follows:

<u>Due to the City of Richfield</u>	
2016	\$174,855
2017	177,405
2018	174,905
2019	172,405
2020	169,905
2021-2025	855,275
2026-2030	850,742
2031-2034	516,198
Total	<u>\$3,091,690</u>

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

CHANGES IN LONG-TERM LIABILITIES

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

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due Within</u>
	<u>01/01/15</u>			<u>12/31/15</u>	<u>One Year</u>
Governmental activities:					
2010B - Loan payable	\$2,710,000	\$ -	(\$135,000)	\$2,575,000	\$140,000
2011A 1 - Loan payable	4,235,000	-	(185,000)	4,050,000	190,000
2011A Wells Fargo Loan payable	15,000,000	-	(1,000,000)	14,000,000	1,500,000
2012 Wells Fargo Loan payable	1,800,000	-	(100,000)	1,700,000	100,000
2013B - Loan payable	6,565,000	-	(290,000)	6,275,000	295,000
Due to the City of Richfield	3,267,945	-	(176,255)	3,091,690	174,855
Compensated absences	102,987	139,542	(93,354)	149,175	38,222
Total governmental activities	<u>\$33,680,932</u>	<u>\$139,542</u>	<u>(\$1,979,609)</u>	<u>\$31,840,865</u>	<u>\$2,438,077</u>

For the governmental activities, compensated absences are liquidated by the Management Planning Fund. All notes and loans are liquidated by the Management Planning Fund.

Note 7 **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.

MINNEHAHA CREEK 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 \$114,171. 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 \$1,248,987 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 .0241% which was an increase of .0023% from its proportion measured as of June 30, 2014

For the year ended December 31, 2015, the District recognized pension expense of \$193,317 for its proportionate share of the GERF's pension expense.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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At December 31, 2015, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$62,970
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	118,236	-
Changes in proportion	81,032	-
Contributions paid to PERA subsequent to the measurement date	60,930	-
Total	<u>\$260,198</u>	<u>\$62,970</u>

\$60,930 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	\$35,580
2017	35,580
2018	35,579
2019	29,559
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.

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.

MINNEHAHA CREEK WATERSHED DISTRICT
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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	\$1,963,852	\$1,248,987	\$658,619

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.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Note 8 CONTINGENCIES

The District is not aware of any existing or pending lawsuits, claims or other actions in which the District is a defendant that would be material to the financial statements.

Note 9 FUND BALANCE - CLASSIFICATIONS

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

	Nonspendable Prepaid Item	Restricted	Committed	Assigned for Water Management	Unassigned	Total
Management Planning Fund	\$47,884	\$ -	\$ -	\$16,911,935	\$ -	\$16,959,819

Note 10 FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The District receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at December 31, 2015.

Note 11 RISK MANAGEMENT

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

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

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

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

MINNEHAHA CREEK WATERSHED DISTRICT
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Note 12 COST SHARE AGREEMENTS

The District previously entered into cost share agreements with various property owners to install and maintain wetland buffers. The cost share agreements are paid in annual installments.

The following is a schedule of future payments under the cost share agreements.

<u>Year</u>	<u>Downs</u>	<u>Yetzer</u>	<u>Brockpahler</u>	<u>Yetzer II</u>	<u>Total</u>
2016	\$750	\$3,295	\$2,420	\$9,398	\$15,863
2017	-	3,295	2,420	9,398	15,113
2018	-	-	2,420	9,398	11,818
2019	-	-	2,420	9,398	11,818
Total	<u>\$750</u>	<u>\$6,590</u>	<u>\$9,680</u>	<u>\$37,592</u>	<u>\$54,612</u>

Note 13 COMMITTED CONTRACTS

At December 31, 2015, the District had commitments of \$323,442 for uncompleted construction contracts.

Note 14 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.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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.

Note 15 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2015, the Watershed 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 Watershed 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 7 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	\$16,701,274
Prior period adjustment:	
Deferred outflows of resources - pension related	51,443
Net pension liability	<u>(1,024,055)</u>
Net position - January 1, 2015, as restated	<u><u>\$15,728,662</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT - 3-22-16

MINNEHAHA CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MANAGEMENT PLANNING FUND
For The Year Ended December 31, 2015

Statement 6

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$8,291,310	\$8,291,310	\$8,266,011	(\$25,299)
Intergovernmental - other	551,550	551,550	2,619,259	2,067,709
Permits	-	-	104,986	104,986
Investment income	25,000	25,000	69,773	44,773
Rental income	-	-	1,384,135	1,384,135
Other	50,000	50,000	40,269	(9,731)
Total revenues	<u>8,917,860</u>	<u>8,917,860</u>	<u>12,484,433</u>	<u>3,566,573</u>
Expenditures:				
District operations and personnel	3,723,884	3,723,884	2,916,177	807,707
Programs	1,463,153	1,463,153	1,624,457	(161,304)
Project implementation	6,211,216	6,211,216	5,768,681	442,535
Debt service	2,808,597	2,808,597	2,865,008	(56,411)
Capital outlay - land/buildings/easements	-	-	13,439	(13,439)
Total expenditures	<u>14,206,850</u>	<u>14,206,850</u>	<u>13,187,762</u>	<u>1,019,088</u>
Revenues over (under) expenditures	<u>(5,288,990)</u>	<u>(5,288,990)</u>	<u>(703,329)</u>	<u>4,585,661</u>
Other financing sources (uses):				
Transfers in	-	-	2,616,782	2,616,782
Transfers out	-	-	(2,616,782)	(2,616,782)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>(\$5,288,990)</u>	<u>(\$5,288,990)</u>	<u>(703,329)</u>	<u>\$4,585,661</u>
Fund balance - January 1			<u>17,663,148</u>	
Fund balance - December 31 - see Note 9			<u>\$16,959,819</u>	

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

<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	0.0241%	\$1,248,987	\$1,419,427	88.0%	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.

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MINNEHAHA CREEK 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	\$114,171	\$114,171	\$0	\$1,522,278	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.

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MINNEHAHA CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO RSI
December 31, 2015

Note A LEGAL COMPLIANCE – BUDGETS

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

Note B PENSION INFORMATION

PERA – General Employees Retirement Fund

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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SUPPLEMENTARY FINANCIAL INFORMATION

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MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2015

Exhibit 1
Page 1 of 5

	1002 General	1003 Information Technology	1004 Government Relations	2001 Permit Administration
Revenues:				
General property taxes	\$2,506,022	\$167,484	\$40,860	\$348,436
Intergovernmental - other	275	18	4	38
Permits	-	-	-	104,986
Investment income	69,527	-	-	-
Rental income	-	-	-	-
Other	10,055	328	-	13,857
Total revenues	<u>2,585,879</u>	<u>167,830</u>	<u>40,864</u>	<u>467,317</u>
Expenditures:				
General government:				
District operations and personnel	2,479,641	113,266	-	46,926
Programs	-	-	-	330,385
Projects	-	-	30,589	-
Debt service:				
Principal	100,000	-	-	-
Interest	29,534	-	-	-
Capital outlay - land/buildings/easements	-	13,439	-	-
Total expenditures	<u>2,609,175</u>	<u>126,705</u>	<u>30,589</u>	<u>377,311</u>
Revenues over (under) expenditures	<u>(23,296)</u>	<u>41,125</u>	<u>10,275</u>	<u>90,006</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(23,296)	41,125	10,275	90,006
Fund balance (deficit) - January 1	<u>1,249,911</u>	<u>69,573</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) - December 31	<u><u>\$1,226,615</u></u>	<u><u>\$110,698</u></u>	<u><u>\$10,275</u></u>	<u><u>\$90,006</u></u>

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2015

	2002 Planning & Projects	2003 Maintenance	2004 Land Conservation	2005 District Land Restoration
Revenues:				
General property taxes	\$117,144	\$150,697	\$2,661,855	\$24,462
Intergovernmental - other	13	17	292	3
Permits	-	-	-	-
Investment income	-	-	-	-
Rental income	-	-	-	-
Other	60	3,402	6,072	-
Total revenues	<u>117,217</u>	<u>154,116</u>	<u>2,668,219</u>	<u>24,465</u>
Expenditures:				
General government:				
District operations and personnel	-	-	12,908	-
Programs	-	-	-	-
Projects	385,595	205,012	49,301	19,844
Debt service:				
Principal	-	-	1,610,000	-
Interest	-	-	949,219	-
Capital outlay - land/buildings/easements	-	-	-	-
Total expenditures	<u>385,595</u>	<u>205,012</u>	<u>2,621,428</u>	<u>19,844</u>
Revenues over (under) expenditures	<u>(268,378)</u>	<u>(50,896)</u>	<u>46,791</u>	<u>4,621</u>
Other financing sources (uses):				
Transfers in	307,343	14,186	510,921	-
Transfers out	-	(223,787)	-	(219,543)
Total other financing sources (uses)	<u>307,343</u>	<u>(209,601)</u>	<u>510,921</u>	<u>(219,543)</u>
Net change in fund balance	38,965	(260,497)	557,712	(214,922)
Fund balance (deficit) - January 1	<u>227,726</u>	<u>260,547</u>	<u>9,089,010</u>	<u>363,130</u>
Fund balance (deficit) - December 31	<u>\$266,691</u>	<u>\$50</u>	<u>\$9,646,722</u>	<u>\$148,208</u>

2006 Habitat Restoration Initiative	2204 Vegetative Mgt. Study	2408 Lake Management Plans	3102 Painters Creek / Jennings Bay	3103 60th / 1st	3106 Halstads Six- Mile Creek
\$122	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>122</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
-	-	-	-	-	-
-	-	-	-	-	-
15,662	-	-	-	-	25,604
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>15,662</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,604</u>
<u>(15,540)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(25,604)</u>
-	-	-	-	-	-
-	(1,580)	(81,333)	(170,467)	-	-
<u>0</u>	<u>(1,580)</u>	<u>(81,333)</u>	<u>(170,467)</u>	<u>0</u>	<u>0</u>
(15,540)	(1,580)	(81,333)	(170,467)	0	(25,604)
<u>16,382</u>	<u>1,580</u>	<u>81,333</u>	<u>170,467</u>	<u>2,338</u>	<u>186,023</u>
<u>\$842</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,338</u>	<u>\$160,419</u>

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2015

	3111 Special Projects Fund	3120 Minnehaha Creek Gorge	3125 Minnehaha Creek Regional Infiltr.	3126 Big Island Wetland Restoration
Revenues:				
General property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-
Permits	-	-	-	-
Investment income	-	-	-	-
Rental income	-	-	-	-
Other	-	-	-	-
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:				
General government:				
District operations and personnel	-	-	-	-
Programs	-	-	-	-
Projects	-	40	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay - land/buildings/easements	-	-	-	-
Total expenditures	<u>0</u>	<u>40</u>	<u>0</u>	<u>0</u>
Revenues over (under) expenditures	<u>0</u>	<u>(40)</u>	<u>0</u>	<u>0</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(141,232)	(399,913)	(465,516)	(23,424)
Total other financing sources (uses)	<u>(141,232)</u>	<u>(399,913)</u>	<u>(465,516)</u>	<u>(23,424)</u>
Net change in fund balance	(141,232)	(399,953)	(465,516)	(23,424)
Fund balance (deficit) - January 1	<u>141,232</u>	<u>449,913</u>	<u>465,516</u>	<u>23,424</u>
Fund balance (deficit) - December 31	<u>\$0</u>	<u>\$49,960</u>	<u>\$0</u>	<u>\$0</u>

3129 Plymouth / Gleason Lake GL- 4	3133 Minnehaha Creek Reach - 19- 21	3135 Steiger Lake Pond	3137 Dutch Lake 5 Restoration	3139 Turbid Lake Phase I	3140 Taft/Legion Feasibility Study
\$ -	\$49,090	\$ -	\$ -	\$173,571	\$74,989
-	72,168	-	-	19	8
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>0</u>	<u>121,258</u>	<u>0</u>	<u>0</u>	<u>173,590</u>	<u>74,997</u>
-	-	-	-	-	-
-	-	-	-	-	-
798	159,402	4,938	-	209,814	1,925
-	-	-	-	-	176,255
-	-	-	-	-	-
-	-	-	-	-	-
<u>798</u>	<u>159,402</u>	<u>4,938</u>	<u>0</u>	<u>209,814</u>	<u>178,180</u>
<u>(798)</u>	<u>(38,144)</u>	<u>(4,938)</u>	<u>0</u>	<u>(36,224)</u>	<u>(103,183)</u>
-	-	-	-	-	204,987
<u>(74,952)</u>	<u>(305,564)</u>	<u>(12,580)</u>	<u>(32,689)</u>	<u>-</u>	<u>-</u>
<u>(74,952)</u>	<u>(305,564)</u>	<u>(12,580)</u>	<u>(32,689)</u>	<u>0</u>	<u>204,987</u>
(75,750)	(343,708)	(17,518)	(32,689)	(36,224)	101,804
<u>75,750</u>	<u>471,546</u>	<u>161,730</u>	<u>32,689</u>	<u>391,335</u>	<u>61,989</u>
<u>\$0</u>	<u>\$127,838</u>	<u>\$144,212</u>	<u>\$0</u>	<u>\$355,111</u>	<u>\$163,793</u>

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2015

	3141 Minnehaha Creek Restoration Reach 14	3142 Long Lake Creek Project	3144 Halstad Bay Internal Loading	3145 Blake Road Stormwater Management
Revenues:				
General property taxes	\$55,473	\$24,643	\$ -	\$192,510
Intergovernmental - other	6	200,003	-	425,635
Permits	-	-	-	-
Investment income	-	-	-	-
Rental income	-	-	-	-
Other	-	-	-	-
Total revenues	<u>55,479</u>	<u>224,646</u>	<u>0</u>	<u>618,145</u>
Expenditures:				
General government:				
District operations and personnel	-	-	-	-
Programs	-	-	-	-
Projects	65,685	406,099	-	836,010
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay - land/buildings/easements	-	-	-	-
Total expenditures	<u>65,685</u>	<u>406,099</u>	<u>0</u>	<u>836,010</u>
Revenues over (under) expenditures	<u>(10,206)</u>	<u>(181,453)</u>	<u>0</u>	<u>(217,865)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(187,861)	(160,036)	-
Total other financing sources (uses)	<u>0</u>	<u>(187,861)</u>	<u>(160,036)</u>	<u>0</u>
Net change in fund balance	(10,206)	(369,314)	(160,036)	(217,865)
Fund balance (deficit) - January 1	<u>42,053</u>	<u>505,856</u>	<u>160,036</u>	<u>878,645</u>
Fund balance (deficit) - December 31	<u><u>\$31,847</u></u>	<u><u>\$136,542</u></u>	<u><u>\$0</u></u>	<u><u>\$660,780</u></u>

3146 Cottageville Park	3147 54th St Stream Repair	3148 FEMA Flood Repairs	3149 Highway 101 Causeway	3150 Meadowbrook Golf Course	3151 Minnehaha Preserve Enhancement
\$553,016	\$47,165	\$ -	\$ -	\$ -	\$ -
1,835,097	5	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,388,113</u>	<u>47,170</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
-	-	-	-	-	-
-	-	-	-	-	-
1,849,511	-	-	-	-	2,250
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,849,511</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,250</u>
<u>538,602</u>	<u>47,170</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,250)</u>
170,467	-	223,787	753,377	191,264	-
-	-	-	-	-	-
<u>170,467</u>	<u>0</u>	<u>223,787</u>	<u>753,377</u>	<u>191,264</u>	<u>0</u>
709,069	47,170	223,787	753,377	191,264	(2,250)
(86,626)	-	-	-	-	-
<u>\$622,443</u>	<u>\$47,170</u>	<u>\$223,787</u>	<u>\$753,377</u>	<u>\$191,264</u>	<u>(\$2,250)</u>

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2015

	4001 Stewardship Grant Program	4002 Education	4003 Communications	4004 Master Water Stewards Grant
Revenues:				
General property taxes	\$120,319	\$107,967	\$162,286	\$ -
Intergovernmental - other	13	12	18	73,394
Permits	-	-	-	-
Investment income	-	-	-	-
Rental income	-	-	-	-
Other	-	1,548	3,972	-
Total revenues	<u>120,332</u>	<u>109,527</u>	<u>166,276</u>	<u>73,394</u>
Expenditures:				
General government:				
District operations and personnel				
Programs	138,699	98,865	152,028	73,394
Projects	-	-	-	-
Debt service:				
Principal				
Interest	-	-	-	-
Capital outlay - land/buildings/easements				
Total expenditures	<u>138,699</u>	<u>98,865</u>	<u>152,028</u>	<u>73,394</u>
Revenues over (under) expenditures	<u>(18,367)</u>	<u>10,662</u>	<u>14,248</u>	<u>0</u>
Other financing sources (uses):				
Transfers in				
Transfers out	-	81,333	-	-
Total other financing sources (uses)	<u>0</u>	<u>81,333</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(18,367)	91,995	14,248	0
Fund balance (deficit) - January 1	<u>55,809</u>	<u>2,420</u>	<u>72,458</u>	<u>-</u>
Fund balance (deficit) - December 31	<u><u>\$37,442</u></u>	<u><u>\$94,415</u></u>	<u><u>\$86,706</u></u>	<u><u>\$0</u></u>

4005 Cost Share Program	5001 Water Quality	5003 Lake Nokomis	5004 Joint Watershed Research	5005 AIS Program	6001 Cold Storage	Total All Projects
\$ -	\$381,600	\$12,225	\$ -	\$294,075	\$ -	\$8,266,011
-	42	1	-	12,178	-	2,619,259
-	-	-	-	-	-	104,986
-	-	-	-	-	246	69,773
-	-	-	-	-	1,384,135	1,384,135
9	950	-	-	16	-	40,269
<u>9</u>	<u>382,592</u>	<u>12,226</u>	<u>0</u>	<u>306,269</u>	<u>1,384,381</u>	<u>12,484,433</u>
54,152	62,260	-	-	141,934	5,090	2,916,177
205,327	304,380	9,800	25,108	286,471	-	1,624,457
-	-	-	-	-	1,500,602	5,768,681
-	-	-	-	-	-	1,886,255
-	-	-	-	-	-	978,753
-	-	-	-	-	-	13,439
<u>259,479</u>	<u>366,640</u>	<u>9,800</u>	<u>25,108</u>	<u>428,405</u>	<u>1,505,692</u>	<u>13,187,762</u>
<u>(259,470)</u>	<u>15,952</u>	<u>2,426</u>	<u>(25,108)</u>	<u>(122,136)</u>	<u>(121,311)</u>	<u>(703,329)</u>
-	16,305	-	-	142,812	-	2,616,782
-	-	-	(116,305)	-	-	(2,616,782)
<u>0</u>	<u>16,305</u>	<u>0</u>	<u>(116,305)</u>	<u>142,812</u>	<u>0</u>	<u>0</u>
<u>(259,470)</u>	<u>32,257</u>	<u>2,426</u>	<u>(141,413)</u>	<u>20,676</u>	<u>(121,311)</u>	<u>(703,329)</u>
<u>1,188,576</u>	<u>225,440</u>	<u>-</u>	<u>141,413</u>	<u>349,751</u>	<u>134,173</u>	<u>17,663,148</u>
<u>\$929,106</u>	<u>\$257,697</u>	<u>\$2,426</u>	<u>\$0</u>	<u>\$370,427</u>	<u>\$12,862</u>	<u>\$16,959,819</u>

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OTHER INFORMATION SECTION - UNAUDITED

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MINNEHAHA CREEK WATERSHED DISTRICT
MARKET VALUES BY WATERSHED - UNAUDITED

For Taxes Payable in 2015

<u>Watershed</u>	<u>Estimated Market Value</u>		
	<u>Personal</u>	<u>Real</u>	<u>Total</u>
1 Nine Mile Creek	\$86,953,200	\$16,665,539,200	\$16,752,492,400
2 Elm Creek WMO	113,417,600	10,455,250,600	10,568,668,200
3 Lower MN River	460,649,400	2,838,524,600	3,299,174,000
4 Minnehaha Creek	224,962,100	40,292,386,600	40,517,348,700
5 Riley Purgatory	81,890,200	9,471,774,400	9,553,664,600
6 Rice Creek	468,000	129,518,000	129,986,000
7 Middle Mississippi	157,608,400	21,057,197,900	21,214,806,300
8 Bassett Creek	77,169,700	11,537,089,600	11,614,259,300
9 Shingle Creek	83,214,800	10,427,634,700	10,510,849,500
10 West Mississippi Watershed	1,469,800	5,040,348,500	5,041,818,300
County total	<u>\$1,287,803,200</u>	<u>\$127,915,264,100</u>	<u>\$129,203,067,300</u>

Source: Hennepin County Taxpayer Services - Property Tax - Tax Accounting

Taxable Market Value			Referendum Market Value		
Personal	Real	Total	Personal	Real	Total
\$86,953,200	\$16,196,725,872	\$16,283,679,072	\$86,953,200	\$16,613,583,303	\$16,700,536,503
113,417,600	10,081,186,136	10,194,603,736	113,417,600	10,081,831,250	10,195,248,850
460,649,400	2,708,192,638	3,168,842,038	460,649,400	2,821,540,975	3,282,190,375
224,962,100	39,190,325,439	39,415,287,539	224,962,100	39,393,547,035	39,618,509,135
81,890,200	9,205,571,251	9,287,461,451	81,890,200	9,434,555,100	9,516,445,300
468,000	120,646,404	121,114,404	468,000	127,714,000	128,182,000
156,890,704	20,306,473,903	20,463,364,607	154,512,900	20,866,623,965	21,021,136,865
77,169,700	11,058,967,752	11,136,137,452	77,169,700	11,429,068,300	11,506,238,000
83,214,800	9,616,779,264	9,699,994,064	83,214,800	10,323,029,145	10,406,243,945
1,469,800	4,636,234,716	4,637,704,516	1,469,800	4,939,215,050	4,940,684,850
<u>\$1,287,085,504</u>	<u>\$123,121,103,375</u>	<u>\$124,408,188,879</u>	<u>\$1,284,707,700</u>	<u>\$126,030,708,123</u>	<u>\$127,315,415,823</u>

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

	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>
	Land Conservation and Cold Storage		
Expenses:			
Operations and projects	<u>\$123,978</u>	<u>\$238,229</u>	<u>\$598,187</u>
Capital outlay:			
Chute Property	1,539,050	-	-
Dierks Property	2,710,383	-	-
Waldera Property	-	539,963	-
Rye Property	-	418,026	-
Weis Property	-	-	1,030,000
Barkus Property	-	-	220,094
Broing Property	-	-	1,128,206
Ugorets Property	-	-	351,044
Nemar Property	-	-	331,514
Halstead Drive (Halverson)	-	-	-
Cold Storage Facility	-	-	-
7701 Halstead Drive	-	-	-
1308 Lake Street	-	-	-
1312 Lake Street	-	-	-
Katy Hills Easement	-	-	-
Capitalized for audit	<u>4,249,433</u>	<u>957,989</u>	<u>3,060,858</u>
Building purchases not capitalized****	-	-	2,045,000
Total capital outlay	<u>4,249,433</u>	<u>957,989</u>	<u>5,105,858</u>
Total expenditures**	<u><u>\$4,373,411</u></u>	<u><u>\$1,196,218</u></u>	<u><u>\$5,704,045</u></u>

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

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

<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>Total</u>
Land Conservation and Cold Storage					
<u>\$1,038,972</u>	<u>\$1,511,286</u>	<u>\$1,645,924</u>	<u>\$1,512,166</u>	<u>\$1,567,901</u>	<u>\$8,236,643</u>
-	-	-	-	-	1,539,050
-	-	-	-	-	2,710,383
-	-	-	-	-	539,963
-	-	-	-	-	418,026
-	-	-	-	-	1,030,000
-	-	-	-	-	220,094
-	-	-	-	-	1,128,206
-	-	-	-	-	351,044
-	-	-	-	-	331,514
2,316,264	-	-	-	-	2,316,264
15,118,964	-	-	-	-	15,118,964
-	2,278,518	-	-	-	2,278,518
-	192,235	-	-	-	192,235
-	182,436	-	-	-	182,436
-	56,774	-	-	-	56,774
<u>17,435,228</u>	<u>2,709,963</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,413,471</u>
-	-	-	-	-	2,045,000
<u>17,435,228</u>	<u>2,709,963</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,458,471</u>
<u>\$18,474,200</u>	<u>\$4,221,249</u>	<u>\$1,645,924</u>	<u>\$1,512,166</u>	<u>\$1,567,901</u>	<u>\$38,695,114</u>

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OTHER REPORTS

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REPORT ON INTERNAL CONTROL

To the Board of Managers and Management
Minnehaha Creek Watershed District
Deephaven, Minnesota

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

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

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

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

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

_____, 2016

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MINNESOTA LEGAL COMPLIANCE REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Minnehaha Creek Watershed District as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated _____, 2016.

The *Minnesota Legal Compliance Audit Guide for 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 Minnehaha Creek Watershed District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for 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 Minnehaha Creek 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 Minnehaha Creek Watershed District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

_____, 2016

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Honorable Managers of the
Minnehaha Creek Watershed District
Deephaven, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Minnehaha Creek Watershed District (the District) for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 29, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Results

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Notes 7 and 15 to the financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* for the year ended December 31, 2015. The most significant effect of this standard is that it required the District to record its proportionate share of the net pension liability of defined benefit pension plans, as well as related deferred inflows and outflows of resources. These items are only reported on full-accrual financial statements. The liability was initially recorded by restating beginning net position. It should be noted that the District's contribution requirements to pension plans have not changed as a result of this standard. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Governmental Activities financial statements are management's estimate of the net pension liability and the pension related deferred outflows and inflows of resources. Estimates relating to the net pension liability and pension related deferred outflows and inflows of resources are based on actuarial studies. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Determining sensitivity is subjective, however, we believe the disclosures most likely to be considered sensitive are Note 7– Retirement Plans and Note 15 – Change in Accounting Principle.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements that have an effect on our opinion on the financial statements. There were no corrected misstatements identified during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules, schedule of proportionate share of net pension liability and schedule of pension contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary financial information section, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and the other information sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Other Reports

Various reports on compliance and internal controls are contained in the Other Required Reports section of the audited financial statements document.

Restriction on Use

This information is intended solely for the use of management and Minnehaha Creek Watershed District's Board of Managers and is not intended to be, and should not be, used by anyone other than these specified parties.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

_____, 2016