

COON CREEK WATERSHED DISTRICT



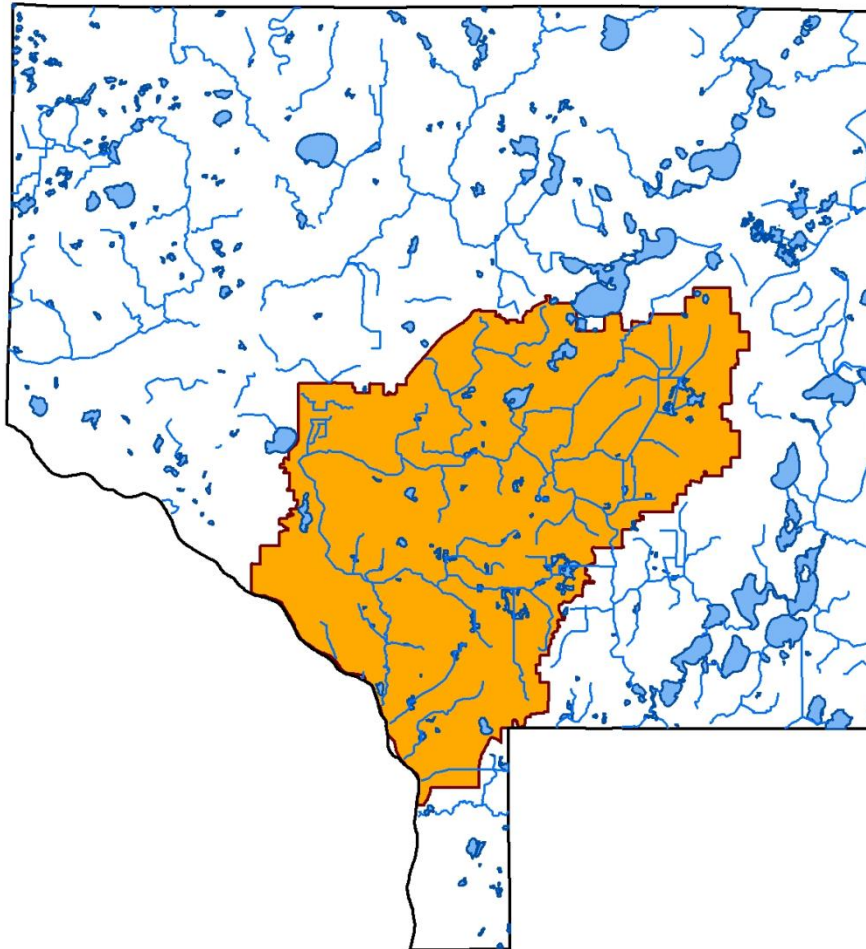
Financial Report

Year Ended December 31, 2015

**Prepared by Finance and Central Services Division of Anoka County, Minnesota
Cory Kampf, Division Manager**

COON CREEK WATERSHED DISTRICT

Financial Report
Year Ended December 31, 2015



Prepared by Finance and Central Services Division of Anoka County, Minnesota
Cory Kampf, Division Manager
2100 3rd Avenue
Anoka, Minnesota 55303-2265

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ANOKA COUNTY, MINNESOTA**

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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

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INTRODUCTORY SECTION

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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

**ORGANIZATION
2015**

Board of Managers	Term Expires
Byron Westlund, President	May 2018
Warren Hoffman, Vice President	May 2016
Scott Bromley, Secretary	May 2017
Clayton Kearns, Treasurer	May 2016
Nick Phelps, Manager	May 2017
District Administrator	
Tim Kelly	Indefinite

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ANOKA COUNTY, MINNESOTA**

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**COON CREEK WATERSHED DISTRICT
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FINANCIAL SECTION

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of Managers
Coon Creek Watershed District
Blaine, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Coon Creek Watershed District as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the 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 of 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 District'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 District'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 Coon Creek Watershed District as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the District adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, 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.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

October 3, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**COON CREEK WATERSHED DISTRICT
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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

**MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

This section of the annual financial report presents our Management's Discussion and Analysis (MD&A) of the Coon Creek Watershed District's (District's) financial performance during the fiscal year that ended December 31, 2015.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015 fiscal year include the following:

- Total net position is \$755,239. Total assets are \$2,681,791, and total liabilities are \$1,932,741 for the year ended December 31, 2015.
- Overall government-wide revenues totaled \$2,234,876 and were \$208,324 more than expenses.
- The General Fund's fund balance increased \$169,078, or 19.8 percent, from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of three parts--Independent Auditor's Report; required supplementary information, which includes the MD&A (this section), budgetary comparison schedules, and information about the District's net pension liability; and the basic financial statements.

This MD&A is intended to serve as an introduction to the basic financial statements. The District's basic financial statements consist of two statements, which combine government-wide financial statements and fund financial statements, and notes to the financial statements. The MD&A (this section), the budgetary comparison schedules, and information about the District's net pension liability, are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

The first several columns of each of the first two statements present governmental fund data, which focus on how money flows in and out and the balances left at year-end that are available for spending. These columns are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. These columns provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We reconcile the relationship (or differences) between governmental funds and governmental activities (reported in the last column) in a column of each statement.

The final column in Exhibit 1 and Exhibit 2 presents the Statement of Net Position and the Statement of Activities, which provide information about the activities of the District as a whole and present a longer-term view of finances. These columns tell how these services were financed in the short term as well as what remains for future spending. These columns include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District, including long-term activity. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position--the net position was \$755,239 on December 31, 2015.

Table 1
Net Position

	<u>2015</u>	<u>2014</u>	<u>Percent Change (%)</u>
Assets			
Cash and pooled investments	\$ 2,525,343	\$ 2,386,439	5.8
Taxes receivable - prior	46,053	41,267	11.6
Special assessments receivable	624	2,828	-77.9
Due from other governments	6,574	13,735	-52.1
Capital assets, net	<u>103,197</u>	<u>58,863</u>	75.3
Total Assets	<u>\$ 2,681,791</u>	<u>\$ 2,503,132</u>	7.1
Deferred pension outflows	<u>\$ 57,029</u>	<u>\$ -</u>	
Liabilities			
Accounts payable	\$ 12,545	\$ 127,159	-90.1
Salaries payable	8,294	28,395	-70.8
Contracts payable	67,255	-	-
Due to other governments	112,637	237,440	-52.6
Funds held in trust	1,281,571	1,124,920	13.9
Long-term liabilities			
Due in more than one year	<u>450,439</u>	<u>42,040</u>	971.5
Total Liabilities	<u>\$ 1,932,741</u>	<u>\$ 1,559,954</u>	23.9
Deferred pension inflows	<u>\$ 50,840</u>	<u>\$ -</u>	
Net Position			
Investment in capital assets	\$ 103,197	\$ 58,863	75.3
Unrestricted	<u>652,042</u>	<u>884,315</u>	-26.3
Total Net Position, as reported	<u>\$ 755,239</u>	\$ 943,178	-19.9
Change in accounting principles*		<u>(396,263)</u>	
Total Net Position, as restated		<u>\$ 546,915</u>	

*This is the first year the District implemented the new pension accounting and financial reporting standards GASB Statements 68, 71, and 82. The District had to make a prior year change in accounting principles to record the District's net pension liability and related deferred outflows of resources.

Table 2
Change in Net Position

	<u>2015</u>	<u>2014</u>	Percent Change (%)
Revenues			
Program revenues			
Charges, fees, fines and others	\$ 111,499	\$ 201,420	-44.6
Operating grants and contributions	36,168	84,943	-57.4
General revenues			
Property taxes	2,080,513	1,812,843	14.8
Special assessments	1,848	1,344	37.5
State aid	419	105	299.0
Investment income	1,291	691	86.8
Miscellaneous	<u>3,138</u>	<u>1,768</u>	77.5
Total Revenues	\$2,234,876	\$2,103,114	6.3
Expenses			
Program expenses			
Conservation of natural resources	<u>2,026,552</u>	<u>1,753,888</u>	15.5
Increase (Decrease) in Net Position	\$ 208,324	\$ 349,226	-40.3
Net Position -January 1, as restated (Note 1.E)	<u>546,915</u>	<u>593,952</u>	
Net Position - December 31	<u>\$ 755,239</u>	<u>\$ 943,178</u>	-19.9

CAPITAL ASSETS

As of December 31, 2015, the District had \$103,197 invested in net capital assets. (See Table 3.) This amount represents a net increase (including additions and deductions) of \$44,334 or 75.3 percent, from last year.

Table 3
Capital Assets at Year-End

	<u>2015</u>	<u>2014</u>
Machinery and equipment	\$ 162,039	\$ 114,588
Less: accumulated depreciation	<u>(58,842)</u>	<u>(55,725)</u>
Net Capital Assets	<u>\$ 103,197</u>	<u>\$ 58,863</u>

FINANCIAL ANALYSIS OF THE DISTRICT AT THE FUND LEVEL

As the District completed the year, its governmental funds reported a combined fund balance of \$1,067,641. Revenues for the District's governmental funds were \$2,235,865 while total expenditures were \$2,064,939.

GENERAL FUND

The General Fund includes the primary operations of the District in providing services to citizens and some capital outlay projects.

The following schedule presents a summary of General Fund revenues:

Table 4
General Fund Revenues

Function	Year Ended December 31		Change	
	2015	2014	Increase (Decrease)	Percent (%)
Taxes	\$2,081,502	\$ 1,811,191	\$ 270,311	14.9
Fees and charges	111,499	201,420	(89,921)	-44.6
Intergovernmental	36,587	85,048	(48,461)	-57.0
Investment income	1,291	691	600	86.8
Miscellaneous and other	3,138	1,748	1,390	79.5
Total General Fund Revenues	\$2,234,017	\$ 2,100,098	\$ 133,919	6.4

Total General Fund revenues increased by \$133,919 or 6.4 percent, from the previous year. The mix of property tax and state aid can change significantly from year to year. In 2015, the District's tax revenue increased by \$270,311 compared to 2014. Intergovernmental revenue decreased by \$48,461 in total, due to grant funding received for the Watershed Restoration and Protection Strategy Project. The decrease in fees and charges is directly related to real estate development activity.

The following schedule presents a summary of General Fund expenditures:

**Table 5
General Fund Expenditures**

Function	Year Ended December 31		Change	
	2015	2014	Increase (Decrease)	Percent (%)
Conservation of natural resources	<u>\$ 2,064,939</u>	<u>\$ 1,746,249</u>	<u>\$ 318,690</u>	18.2

General Fund Budgetary Highlights

- Actual revenues were \$13,575 more than expected.
- Actual expenditures were \$155,503 under the budgeted amount.
- No significant changes were made to the original adopted budget.

FACTORS BEARING ON THE FUTURE AND NEXT YEAR’S BUDGETS AND RATES

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

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to give a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrator, Tim Kelly, 12301 Central Avenue N.E., Suite 100, Blaine, Minnesota 55434.

BASIC FINANCIAL STATEMENTS

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

EXHIBIT 1

**GOVERNMENTAL FUNDS BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Ditch</u>	<u>Total</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<u>Assets and Deferred Outflows of Resources</u>					
Assets					
Cash and pooled investments	\$ 1,198,825	\$ 44,947	\$ 1,243,772	\$ -	\$ 1,243,772
Cash held in trust	1,281,571	-	1,281,571	-	1,281,571
Delinquent taxes receivable	46,053	-	46,053	-	46,053
Special assessments receivable	-	624	624	-	624
Due from other governments	6,574	-	6,574	-	6,574
Noncurrent assets					
Capital assets depreciable - net	-	-	-	103,197	103,197
Total Assets	\$ 2,533,023	\$ 45,571	\$ 2,578,594	\$ 103,197	\$ 2,681,791
Deferred Outflows of Resources					
Deferred pension outflows	-	-	-	57,029	57,029
Total Assets and Deferred Outflows of Resources	\$ 2,533,023	\$ 45,571	\$ 2,578,594	\$ 160,226	\$ 2,738,820
<u>Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position</u>					
Liabilities					
Current liabilities					
Accounts payable	\$ 12,545	\$ -	\$ 12,545	\$ -	\$ 12,545
Salaries payable	8,294	-	8,294	-	8,294
Contracts payable	67,255	-	67,255	-	67,255
Due to other governments	112,637	-	112,637	-	112,637
Funds held in trust	1,281,571	-	1,281,571	-	1,281,571
Long-term liabilities					
Compensated absences	-	-	-	39,251	39,251
Net pension liability	-	-	-	411,188	411,188
Total Liabilities	\$ 1,482,302	\$ -	\$ 1,482,302	\$ 450,439	\$ 1,932,741
Deferred Inflows of Resources					
Unavailable revenue	\$ 28,027	\$ 624	\$ 28,651	\$ (28,651)	\$ -
Deferred pension inflows	-	-	-	50,840	50,840
Total Deferred Inflows of Resources	\$ 28,027	\$ 624	\$ 28,651	\$ 22,189	\$ 50,840

(Continued)

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

*EXHIBIT 1
(Continued)*

**GOVERNMENTAL FUNDS BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2015**

	General Fund	Ditch	Total	Adjustments	Governmental Activities
<u>Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position</u>					
(Continued)					
Fund Balance/Net Position					
Fund Balance					
Restricted					
For ditch projects	\$ -	\$ 44,947	\$ 44,947	\$ (44,947)	
Unassigned	1,022,694	-	1,022,694	(1,022,694)	
Total Fund Balance	\$ 1,022,694	\$ 44,947	\$ 1,067,641	\$ (1,067,641)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,533,023	\$ 45,571	\$ 2,578,594		
Net Position					
Investment in capital assets				\$ 103,197	\$ 103,197
Unrestricted				652,042	652,042
Total Net Position				\$ 755,239	\$ 755,239
Reconciliation of the Governmental Funds Balance to Net Position					
Fund Balance - Governmental Funds					\$ 1,067,641
Total net position reported for governmental activities are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.					
					103,197
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.					
					57,029
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as liabilities in the funds.					
Compensated absences				(39,251)	
Net pension liability				(411,188)	
Total long term liabilities				(450,439)	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.					
					28,651
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in governmental funds.					
					(50,840)
Net Position - Governmental Activities					\$ 755,239

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

EXHIBIT 2

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	Ditch	Total	Adjustments	Governmental Activities
Revenues					
Taxes	\$ 2,081,502	\$ -	\$ 2,081,502	\$ (989)	\$ 2,080,513
Special assessments	-	1,848	1,848	-	1,848
Fees and charges	111,499	-	111,499	-	111,499
Intergovernmental	36,587	-	36,587	-	36,587
Investment income	1,291	-	1,291	-	1,291
Miscellaneous	3,138	-	3,138	-	3,138
Total Revenues	\$ 2,234,017	\$ 1,848	\$ 2,235,865	\$ (989)	\$ 2,234,876
Expenditures/Expenses					
Current					
Conservation of natural resources	2,064,939	-	2,064,939	(38,387)	2,026,552
Net Change in Fund Balance/ Net Position	\$ 169,078	\$ 1,848	\$ 170,926	\$ 37,398	\$ 208,324
Fund Balance/Net Position					
January 1, as restated (Note 1.E)	853,616	43,099	896,715	(349,800)	546,915
December 31	\$ 1,022,694	\$ 44,947	\$ 1,067,641	\$ (312,402)	\$ 755,239

(Continued)

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

*EXHIBIT 2
(Continued)*

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities**

Net Change in Fund Balance \$ 170,926

Amounts reported for governmental activities are different because:

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.

Expenditures for general capital assets	\$ 74,521	
Current year depreciation	<u>(26,309)</u>	48,212

The effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, transfers and retirements) is to decrease net position.		(3,878)
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Certain 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.

Change in compensated absences		2,789
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In the funds, under the modified accrual basis, receivables not available for expenditure are considered unavailable. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase (decrease) in unavailable tax revenue.

Unavailable revenue - December 31	\$ 28,651	
Unavailable revenue - January 1	<u>(29,640)</u>	(989)

Current year net change in deferred pension outflows, net pension liability, and deferred pension inflows.		<u>(8,736)</u>
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Change in Net Position of Governmental Activities		<u>\$ 208,324</u>
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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015**

1. Summary of Significant Accounting Policies

The Coon Creek Watershed District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Financial Reporting Entity

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

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

The District is governed by a Board of Managers composed of five members appointed by the Anoka County Board of Commissioners for three-year terms.

As required by generally accepted accounting principles, consideration has been given to other organizations that should be included in the District's financial statements for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. There are no organizations that should be presented with the District.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Columns

The financial statements combine fund level financial statements and government-wide financial statements (governmental activities column).

The government-wide financial statement columns (the statement of net position and the statement of activities) display information about the District. These columns include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities.

The governmental activities columns:

- (a) are presented on a consolidated basis; and
- (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: (1) investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

2. Governmental Fund Financial Statement Columns

The governmental fund financial statement columns provide information about the District's funds. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Ditch Special Revenue Fund is used to account for maintenance activities, together with related special assessments, for ditches within the District.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund columns 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. The District considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the District through Anoka County for the purpose of increasing earnings through investment activities. Pooled investments are reported at their fair value at December 31, 2015, based on market prices. Because of the relatively small balances of the other funds, all investment earnings are credited to the General Fund. Pooled investment earnings for 2015 were \$1,291.

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

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity (Continued)

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans).

3. Property Taxes and Special Assessments

An ad valorem property tax may be levied against all properties in the District with levy limits prescribed by state statute. Property tax levies must be approved by the District Board and certified to the Anoka County Auditor in October of each year for collection in the following year. Taxes are payable to the County in two installments by May 15 and October 15.

Special assessment levies may be approved by the District Board for maintenance and construction purposes in accordance with state statutes. These assessments are charged against those properties benefiting from the maintenance and construction. Special assessments must be certified to the County Auditor in a manner similar to property taxes.

Property taxes and special assessments receivable consist of amounts certified to Anoka County but not yet collected. Special assessments receivable are recorded when the full levy amount is submitted to the County, though actual assessment against property owners may occur over several years.

COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity (Continued)

4. Capital Assets

Capital assets, which include machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of three years. 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. Major outlays for capital assets and improvements, if any, are capitalized as projects are constructed.

Machinery and equipment of the District are depreciated using the straight-line method over the estimated useful lives ranging from 3 to 20 years.

5. Flexible Time Off and Extended Medical Benefit Accounts

The District's employees' vacation and sick time was converted to flexible time off (FTO) and extended medical benefits (EMB) hours as part of the October 2001 implementation of the Anoka County Preferred Benefit Plan, which the Coon Creek Watershed District elected to follow.

Vacation hours were converted to FTO hours and are vested. The amount of FTO hours a full-time employee earns ranges from 24 to 33 days per year depending on years of service performed. Part-time employees are prorated based on their scheduled hours and years of service.

The unvested sick leave hours were converted to EMB hours. These hours are not vested and are valued at \$94,298 at December 31, 2015. EMB hours are available for use in times of illness after using 40 FTO or leave without pay hours. Full-time employees accrue eight days of EMB per year, and part-time employees receive a prorated amount based on their schedule.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity (Continued)

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports 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.

In addition to liabilities, the statement of financial position reports 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the District has two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, and delinquent and deferred special assessments receivable, for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

7. Pension Plan

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. Plan investments are reported at fair value. The net pension liability is liquidated by the General Fund.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity (Continued)

8. Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Investment in capital assets: the amount of net position representing capital assets net of accumulated depreciation.

Restricted net position: the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation.

Unrestricted net position: the amount of net position that does not meet the definition of restricted or investment in capital assets.

9. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed - the committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the District Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity

9. Classification of Fund Balances (Continued)

Assigned - amounts in the assigned fund balance classification the District intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the District Board or the District Administrator who has been delegated that authority by Board resolution.

Unassigned - unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

10. Use of Estimates

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

E. Change in Accounting Principles

During the year ended December 31, 2015, the District adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles (Continued)

employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73*, modifies the measure of payroll that is presented in the required supplementary information schedules.

GASB Statements 68 and 71 require the District to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the District's net pension liability and related deferred outflows of resources.

	Governmental Activities
Net Position, January 1, as previously reported	\$ 943,178
Change in accounting principles	(396,263)
Net Position, January 1, as restated	\$ 546,915

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The District's Board of Managers adopts estimated revenue and expenditure budgets for the General Fund and Ditch Special Revenue Fund.

The budgets may be amended or modified at any time by the Board. Comparisons of estimated revenues and expenditures to actual are presented as required supplementary information for the General Fund and Ditch Special Revenue Fund. Budgets for the General Fund and Ditch Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the District's total cash and investments to the basic financial statements follows:

Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 1,243,772
Cash held in trust	<u>1,281,571</u>
 Total Cash and Investments	 <u><u>\$ 2,525,343</u></u>

a. Deposits

Cash transactions are administered by Anoka County which is, according to Minn. Stat. §§ 118A.02 and 118A.04, authorized to designate depositories for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2015, the District had no deposits.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the District:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

The District does not have additional policies for the investment risks, described below, beyond complying with the requirements of Minnesota statutes.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2015, none of the District's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. At December 31, 2015, the District held \$2,525,343 in a pooled investment fund (MAGIC Fund).

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. At December 31, 2015, none of the District's investments were subject to interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At December 31, 2015, none of the District's investments were subject to credit risk.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

The District has no receivables scheduled to be collected beyond one year, except for delinquent taxes receivable, and special assessment receivable.

3. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets depreciated				
Machinery and equipment	\$ 114,588	\$ 74,521	\$ 27,070	\$ 162,039
Less: accumulated depreciation for				
Machinery and equipment	<u>55,725</u>	<u>26,309</u>	<u>23,192</u>	<u>58,842</u>
Total Capital Assets Depreciated, Net	<u>\$ 58,863</u>	<u>\$ 48,212</u>	<u>\$ 3,878</u>	<u>\$ 103,197</u>

Depreciation expense of \$26,309 was charged to the District's conservation of natural resources function.

B. Liabilities

1. Payables

Payables at December 31, 2015, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 12,545
Salaries	8,294
Contracts	67,255
Due to other governments	<u>112,637</u>
Total Payables	<u>\$ 200,731</u>

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Liabilities

2. Long-Term Debt - Compensated Absences

District employees are granted flexible time off (FTO) in varying amounts depending on length of service. All employees accumulate extended medical benefits. Unused, accumulated FTO is paid to employees upon termination. The liability for compensated absences reported in the financial statements consists of unused accumulated and vested FTO balances. The liability has been calculated using the vesting method outlined in Anoka County's personnel policies. Unvested FTO is not paid to employees at termination. Unused accumulated and vested FTO is accrued as compensated absences when incurred in the government-wide financial statements. The compensated absences liability is liquidated by the General Fund. The amount payable at December 31, 2015, is \$39,251, which is a decrease of \$2,789 from the payable of \$42,040 at December 31, 2014.

3. Funds Held in Trust

Funds held in trust at December 31, 2015, consist of the following:

Developer deposits	<u>\$ 1,281,571</u>
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4. Operating Leases

The District entered into an operating lease for office space beginning October 1, 2012, which terminates on September 30, 2017. The District made lease payments totaling \$23,074 on this lease for the year ended December 31, 2015.

The District entered into an operating lease for a copier beginning December, 2013 and terminating December, 2018. The District made lease payments totaling \$3,603 on this lease for the year ended December 31, 2015. The District entered into an operating lease for an additional copier beginning July 1, 2015 and terminating June 30, 2018. The District made lease payments totaling \$1,667 on this lease for the year ended December 31, 2015.

The District entered into an operating lease for a smart board beginning in August, 2014, and terminating July, 2018. The District made lease payments totaling \$3,822 on this lease for the year ended December 31, 2015.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

3. Detailed Notes on All Funds

B. Liabilities

4. Operating Leases (Continued)

Future minimum lease payments under the operating leases consist of the following at December 31, 2015:

<u>Fiscal Year</u>	<u>Space</u>	<u>Copier</u>	<u>Smart Board</u>	<u>Total</u>
2016	\$ 23,074	\$ 6,630	\$ 3,823	\$ 33,527
2017	17,305	6,630	3,823	27,758
2018	-	4,963	2,230	7,193
Total	<u>\$ 40,379</u>	<u>\$ 18,223</u>	<u>\$ 9,876</u>	<u>\$ 68,478</u>

C. Deferred Inflows of Resources

Deferred inflows of resources consists of unavailable revenue arising from taxes and special assessments receivable that are not collected soon enough after year-end to pay liabilities of the current period, and state grants received but not yet earned. Unavailable revenue at December 31, 2015, is summarized below by fund:

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Total</u>
Governmental Funds			
General	\$ 28,027	\$ -	\$ 28,027
Ditch Special Revenue	-	624	624
Total	<u>\$ 28,027</u>	<u>\$ 624</u>	<u>\$ 28,651</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>\$ 28,027</u>	<u>\$ 624</u>	<u>\$ 28,651</u>

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

4. Defined Benefit Pension Plans

A. Plan Description

All full-time and certain part-time employees of the Coon Creek Watershed District are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 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 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, for which benefits vest after five years of credited service.

B. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

4. Defined Benefit Pension Plans

B. Benefits Provided (Continued)

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 percent of average salary for each of the first ten years of service and 2.7 percent 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 of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

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

C. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015.

In 2015, the District was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50

The Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014.

The District's contributions for the General Employees Retirement Fund for the year ended December 31, 2015, were \$35,882. The contributions are equal to the contractually required contributions as set by state statute.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

4. Defined Benefit Pension Plans (Continued)

D. Pension Costs

At December 31, 2015, the District reported a liability of \$411,188 for its proportionate share of the General Employees Retirement Fund'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 .0079 percent. It was .0088 percent measured as of June 30, 2014. The District recognized pension expense of \$44,618 for its proportionate share of the General Employees Retirement Fund's pension expense.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 20,731
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	38,925	-
Changes in proportion	-	30,109
Contributions paid to PERA subsequent to the measurement date	<u>18,104</u>	<u>-</u>
Total	<u>\$ 57,029</u>	<u>\$ 50,840</u>

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

4. Defined Benefit Pension Plans

D. Pension Costs (Continued)

A total of \$18,104 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ (7,215)
2017	(7,215)
2018	(7,215)
2019	9,730

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

4. Defined Benefit Pension Plans (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

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. The cost of living benefit increases for retirees was assumed to be 1.0 percent effective every January 1 through 2035, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

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

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

4. Defined Benefit Pension Plans (Continued)

E. Actuarial Assumptions

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. 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.

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 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%)
Proportionate share of the General Employees Retirement Fund net pension liability	\$646,532	\$411,188	\$216,828

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

4. Defined Benefit Pension Plans (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

5. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. The District is self-insured, in part, for losses related to destruction of assets. The District carries commercial insurance for all other forms of risk. There were no significant reductions for the year ended December 31, 2015, in insurance coverage for any major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,091,141	\$ 2,091,141	\$ 2,081,502	\$ (9,639)
Fees and charges	75,500	75,500	111,499	35,999
Intergovernmental	53,801	53,801	36,587	(17,214)
Investment income	-	-	1,291	1,291
Miscellaneous	-	-	3,138	3,138
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 2,220,442</u>	<u>\$ 2,220,442</u>	<u>\$ 2,234,017</u>	<u>\$ 13,575</u>
Expenditures				
Current				
Conservation of natural resources				
Personal services	\$ 661,722	\$ 661,722	\$ 609,391	\$ 52,331
Contractual services	315,936	315,936	814,407	(498,471)
Other services and charges	1,165,984	1,165,984	570,121	595,863
Capital outlay	76,800	76,800	71,020	5,780
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 2,220,442</u>	<u>\$ 2,220,442</u>	<u>\$ 2,064,939</u>	<u>\$ 155,503</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,078</u>	<u>\$ 169,078</u>
Fund Balance - January 1	<u>853,616</u>	<u>853,616</u>	<u>853,616</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 853,616</u></u>	<u><u>\$ 853,616</u></u>	<u><u>\$ 1,022,694</u></u>	<u><u>\$ 169,078</u></u>

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ -	\$ -	\$ 1,848	\$ 1,848
Total Revenues	\$ -	\$ -	\$ 1,848	\$ 1,848
Expenditures				
Current				
Conservation of natural resources				
Contractual services	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	\$ 1,848	\$ 1,848
Fund Balance - January 1	43,099	43,099	43,099	-
Fund Balance - December 31	\$ 43,099	\$ 43,099	\$ 44,947	\$ 1,848

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

Schedule 3

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.0079%	\$ 411,188	\$ 465,865	88.26%	78.19%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

Schedule 4

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

<u>Year Ending</u>	<u>Statutorily Required Contributions (a)</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u>	<u>Contribution (Deficiency) Excess (b-a)</u>	<u>Covered Payroll (c)</u>	<u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u>
2015	\$ 35,882	\$ 35,882	\$ -	\$ 478,436	7.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The District's year-end is December 31.

**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end unless specifically carried over to the next budget year by Board action.

On or before mid-June of each year, the District Manager prepares a draft budget for the upcoming fiscal year. Before August 31, the proposed budget is presented to the District Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than September 30.

The appropriated budget is prepared by fund and function. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the function level.