

COON CREEK WATERSHED DISTRICT



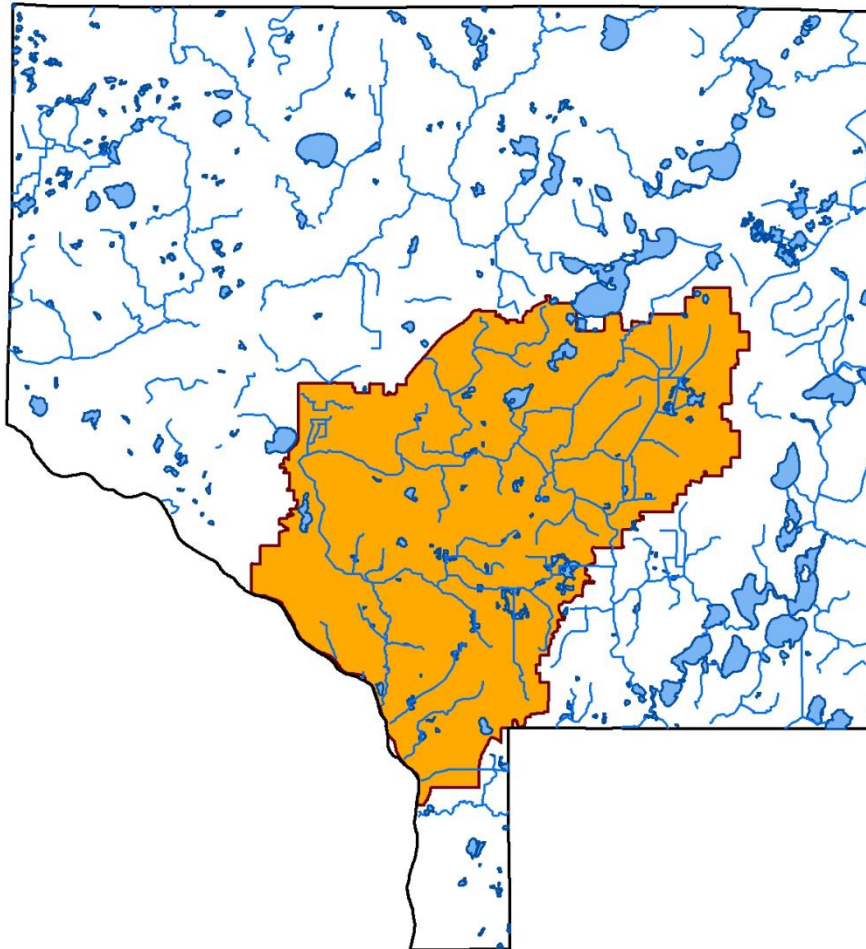
Financial Report

Year Ended December 31, 2016

**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, 2016



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
2016**

Board of Managers	Term Expires
Byron Westlund, President	May 2018
Warren Hoffman, Vice President	May 2019
Scott Bromley, Secretary	May 2017
Nick Phelps, Treasurer	May 2017
Anthony Wilder, At-Large	May 2019
District Administrator	
Tim Kelly	Indefinite

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ANOKA COUNTY, MINNESOTA**

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

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

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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, 2016, 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 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 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, 2016, 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.

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 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.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

**MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 2016.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016 fiscal year include the following:

- Total net position is \$2,098,170. Total assets are \$4,362,929, and total liabilities are \$2,447,556 for the year ended December 31, 2016.
- Overall government-wide revenues totaled \$3,179,793 and were \$1,342,931 more than expenses.
- The General Fund's fund balance increased \$1,390,179 or 135.9 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 \$2,098,170 on December 31, 2016.

Table 1
Net Position

	<u>2016</u>	<u>2015</u>	Percent Change (%)
Assets			
Cash and pooled investments	\$ 4,186,314	\$ 2,525,343	65.8
Taxes receivable - prior	61,446	46,053	33.4
Special assessments receivable	-	624	-100.0
Accounts receivable	1,879	-	100.0
Due from other governments	24,760	6,574	276.6
Capital assets, net	<u>88,530</u>	<u>103,197</u>	-14.2
 Total Assets	 <u>\$ 4,362,929</u>	 <u>\$ 2,681,791</u>	 62.7
 Deferred pension outflows	 <u>\$ 263,616</u>	 <u>\$ 57,029</u>	 362.2
Liabilities			
Accounts payable	\$ 119,371	\$ 12,545	851.5
Salaries payable	13,045	8,294	57.3
Contracts payable	14,000	67,255	-79.2
Due to other governments	139,492	112,637	23.8
Funds held in trust	1,495,928	1,281,571	16.7
Long-term liabilities			
Due in more than one year	<u>665,720</u>	<u>450,439</u>	47.8
 Total Liabilities	 <u>\$ 2,447,556</u>	 <u>\$ 1,932,741</u>	 26.6
 Deferred pension inflows	 <u>\$ 80,819</u>	 <u>\$ 50,840</u>	 59.0
Net Position			
Investment in capital assets	\$ 88,530	\$ 103,197	-14.2
Restricted for conservation of natural resources	44,458	-	100.0
Unrestricted	<u>1,965,182</u>	<u>652,042</u>	201.4
 Total Net Position	 <u><u>\$ 2,098,170</u></u>	 <u><u>\$ 755,239</u></u>	 177.8

Table 2
Change in Net Position

	<u>2016</u>	<u>2015</u>	Percent Change (%)
Revenues			
Program revenues			
Charges, fees, fines and others	\$ 87,301	\$ 111,499	-21.7
Operating grants and contributions	29,606	36,168	-18.1
General revenues			
Property taxes	3,041,041	2,080,513	46.2
Special assessments	624	1,848	-66.2
State aid	453	419	8.1
Investment income	13,439	1,291	941.0
Miscellaneous	<u>7,329</u>	<u>3,138</u>	133.6
Total Revenues	\$3,179,793	\$2,234,876	42.3
Expenses			
Program expenses			
Conservation of natural resources	<u>1,836,862</u>	<u>2,026,552</u>	-9.4
Increase (Decrease) in Net Position	\$1,342,931	\$ 208,324	544.6
Net Position -January 1	<u>755,239</u>	<u>546,915</u>	38.1
Net Position - December 31	<u><u>\$2,098,170</u></u>	<u><u>\$ 755,239</u></u>	177.8

CAPITAL ASSETS

As of December 31, 2016, the District had \$88,530 invested in net capital assets. (See Table 3.) This amount represents a net decrease (including additions and deductions) of \$14,667 or 14.2 percent, from last year.

Table 3
Capital Assets at Year-End

	<u>2016</u>	<u>2015</u>
Machinery and equipment	\$ 168,881	\$ 162,039
Less: accumulated depreciation	<u>(80,351)</u>	<u>(58,842)</u>
Net Capital Assets	<u><u>\$ 88,530</u></u>	<u><u>\$ 103,197</u></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 \$2,457,331. Revenues for the District's governmental funds were \$3,170,768 while total expenditures were \$1,781,078.

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	
	2016	2015	Increase (Decrease)	Percent (%)
Taxes	\$3,034,460	\$ 2,081,502	\$ 952,958	45.8
Fees and charges	87,301	111,499	(24,198)	-21.7
Intergovernmental	30,059	36,587	(6,528)	-17.8
Investment income	13,439	1,291	12,148	941.0
Miscellaneous and other	4,885	3,138	1,747	55.7
Total General Fund Revenues	<u>\$3,170,144</u>	<u>\$ 2,234,017</u>	<u>\$ 936,127</u>	41.9

Total General Fund revenues increased by \$936,127 or 41.9 percent, from the previous year. The mix of property tax and state aid can change significantly from year to year. In 2016, the District's tax revenue increased by \$952,958 compared to 2015. Intergovernmental revenue decreased by \$6,528 in total. 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	
	2016	2015	Increase (Decrease)	Percent (%)
Conservation of natural resources	<u>\$ 1,779,965</u>	<u>\$ 2,064,939</u>	<u>\$ (284,974)</u>	-13.8

General Fund Budgetary Highlights

- Actual revenues were \$1,177 more than expected.
- Actual expenditures were \$1,389,002 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, 2016**

	<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	\$ 2,646,240	\$ 44,146	\$ 2,690,386	\$ -	\$ 2,690,386
Cash held in trust	1,495,928	-	1,495,928	-	1,495,928
Delinquent taxes receivable	61,446	-	61,446	-	61,446
Accounts receivable	1,879	-	1,879	-	1,879
Due from other governments	24,448	312	24,760	-	24,760
Noncurrent assets					
Capital assets depreciable - net	-	-	-	88,530	88,530
Total Assets	\$ 4,229,941	\$ 44,458	\$ 4,274,399	\$ 88,530	\$ 4,362,929
Deferred Outflows of Resources					
Deferred pension outflows	-	-	-	263,616	263,616
Total Assets and Deferred Outflows of Resources	\$ 4,229,941	\$ 44,458	\$ 4,274,399	\$ 352,146	\$ 4,626,545
<u>Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position</u>					
Liabilities					
Current liabilities					
Accounts payable	\$ 119,371	\$ -	\$ 119,371	\$ -	\$ 119,371
Salaries payable	13,045	-	13,045	-	13,045
Contracts payable	14,000	-	14,000	-	14,000
Due to other governments	139,492	-	139,492	-	139,492
Funds held in trust	1,495,928	-	1,495,928	-	1,495,928
Long-term liabilities					
Compensated absences	-	-	-	38,194	38,194
Net pension liability	-	-	-	627,526	627,526
Total Liabilities	\$ 1,781,836	\$ -	\$ 1,781,836	\$ 665,720	\$ 2,447,556
Deferred Inflows of Resources					
Unavailable revenue	\$ 35,232	\$ -	\$ 35,232	\$ (35,232)	\$ -
Deferred pension inflows	-	-	-	80,819	80,819
Total Deferred Inflows of Resources	\$ 35,232	\$ -	\$ 35,232	\$ 45,587	\$ 80,819

(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, 2016**

<u>Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position</u> (Continued)	General Fund	Ditch	Total	Adjustments	Governmental Activities
Fund Balance/Net Position					
Fund Balance					
Restricted					
For ditch projects	\$ -	\$ 44,458	\$ 44,458	\$ (44,458)	
Assigned for capital improvements	1,000,000	-	1,000,000	(1,000,000)	
Unassigned	1,412,873	-	1,412,873	(1,412,873)	
Total Fund Balance	\$ 2,412,873	\$ 44,458	\$ 2,457,331	\$ (2,457,331)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,229,941	\$ 44,458	\$ 4,274,399		
Net Position					
Investment in capital assets				\$ 88,530	\$ 88,530
Restricted for conservation of natural resources				44,458	44,458
Unrestricted				1,965,182	1,965,182
Total Net Position				\$ 2,098,170	\$ 2,098,170
Reconciliation of the Governmental Funds Balance to Net Position					
Fund Balance - Governmental Funds					\$ 2,457,331
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.					
					88,530
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.					
					263,616
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as liabilities in the funds.					
Compensated absences				(38,194)	
Net pension liability				(627,526)	
Total long term liabilities					(665,720)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.					
					35,232
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in governmental funds.					
					(80,819)
Net Position - Governmental Activities					\$ 2,098,170

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

**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, 2016**

	<u>General Fund</u>	<u>Ditch</u>	<u>Total</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
Revenues					
Taxes	\$ 3,034,460	\$ -	\$ 3,034,460	\$ 6,581	\$ 3,041,041
Special assessments	-	624	624	-	624
Fees and charges	87,301	-	87,301	-	87,301
Intergovernmental	30,059	-	30,059	-	30,059
Investment income	13,439	-	13,439	-	13,439
Miscellaneous	4,885	-	4,885	2,444	7,329
Total Revenues	\$ 3,170,144	\$ 624	\$ 3,170,768	\$ 9,025	\$ 3,179,793
Expenditures/Expenses					
Current					
Conservation of natural resources	1,779,965	1,113	1,781,078	55,784	1,836,862
Net Change in Fund Balance/ Net Position	\$ 1,390,179	\$ (489)	\$ 1,389,690	\$ (46,759)	\$ 1,342,931
Fund Balance/Net Position					
January 1	1,022,694	44,947	1,067,641	(312,402)	755,239
December 31	<u>\$ 2,412,873</u>	<u>\$ 44,458</u>	<u>\$ 2,457,331</u>	<u>\$ (359,161)</u>	<u>\$ 2,098,170</u>

(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, 2016**

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

Net Change in Fund Balance \$ 1,389,690

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	\$ 6,842	
Current year depreciation	<u>(21,509)</u>	(14,667)

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		1,057
--------------------------------	--	-------

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	\$ 35,232	
Unavailable revenue - January 1	<u>(28,651)</u>	6,581

Current year net change in deferred pension outflows, net pension liability, and deferred pension inflows.		<u>(39,730)</u>
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Change in Net Position of Governmental Activities		<u><u>\$ 1,342,931</u></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, 2016**

1. Summary of Significant Accounting Policies

The Coon Creek Watershed District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2016. 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 full 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, 2016. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2016 were \$13,439.

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. No provision has been made for an estimated uncollectable amount.

**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 acquisition value.

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 \$99,471 at December 31, 2016. 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. The District has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, differences between expected and actual pension plan economic experience, changes in actuarial assumptions, the differences between projected and actual earnings on pension plan investments, and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

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.

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

1. Summary of Significant Accounting Policies

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

7. Pension Plan (Continued)

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.

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.

**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)

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.

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 certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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.

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	\$ 2,690,386
Cash held in trust	<u>1,495,928</u>
Total Cash and Investments	<u>\$ 4,186,314</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.

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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.

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, 2016, 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;

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

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, 2016, 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, 2016, the District held \$4,186,314 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, 2016, none of the District's investments were subject to interest rate risk.

COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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, 2016, none of the District's investments were subject to credit risk.

Fair Value of Investments

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

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At December 31, 2016, Coon Creek Watershed District had no investments at recurring fair value measurements.

Investments measured at the net asset value (NAV)

MAGIC Certificates of Deposits	\$ 600,000
MAGIC Portfolio	<u>3,586,314</u>
Total investments measured at NAV	<u>\$ 4,186,314</u>

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value of Investments (Continued)

The Minnesota Association of Governments Investing for Counties (MAGIC) is a local government investment pool which is quoted at a net asset value (NAV). The District invests in this pool for the purpose of the joint investment of the District's money with those of other counties to enhance the investment earnings accruing to each member. The MAGIC fund currently consists of the MAGIC Portfolio and the MAGIC Term Series.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the District has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

**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.

3. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets depreciated				
Machinery and equipment	\$ 162,039	\$ 6,842	\$ -	\$ 168,881
Less: accumulated depreciation for				
Machinery and equipment	<u>58,842</u>	<u>21,509</u>	<u>-</u>	<u>80,351</u>
Total Capital Assets Depreciated, Net	<u>\$ 103,197</u>	<u>\$ (14,667)</u>	<u>\$ -</u>	<u>\$ 88,530</u>

Depreciation expense of \$21,509 was charged to the District's conservation of natural resources function.

B. Liabilities

1. Payables

Payables at December 31, 2016, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 119,371
Salaries	13,045
Contracts	14,000
Due to other governments	<u>139,492</u>
Total Payables	<u>\$ 285,908</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, 2016, is \$38,194, which is a decrease of \$1,057 from the payable of \$39,251 at December 31, 2015.

3. Funds Held in Trust

Funds held in trust at December 31, 2016, consist of the following:

Developer deposits	<u>\$ 1,495,928</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, 2016.

The District entered into an operating lease for a copier beginning December, 2013 and terminating December, 2018. The District made lease payments totaling \$3,296 on this lease for the year ended December 31, 2016. 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 \$3,335 on this lease for the year ended December 31, 2016.

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, 2016.

**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, 2016:

<u>Fiscal Year</u>	<u>Space</u>	<u>Copier</u>	<u>Smart Board</u>	<u>Total</u>
2017	\$ 17,305	\$ 6,630	\$ 3,823	\$ 27,758
2018	-	4,963	2,230	7,193
Total	<u>\$ 17,305</u>	<u>\$ 11,593</u>	<u>\$ 6,053</u>	<u>\$ 34,951</u>

C. Deferred Inflows of Resources

Deferred inflows of resources consists of unavailable revenue arising from taxes that are not collected soon enough after year-end to pay liabilities of the current period. Unavailable revenue at December 31, 2016, is summarized below by fund:

	<u>Taxes</u>
Governmental Funds	
General	<u>\$ 35,232</u>
Total	<u>\$ 35,232</u>
Deferred Inflows of Resources	
Unavailable Revenue	<u>\$ 35,232</u>

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

4. Defined Benefit Pension Plan

A. Plan Description

All full-time and certain part-time employees of the Coon Creek Watershed District are covered by a defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, 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 plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. 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 Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate

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

4. Defined Benefit Pension Plan

B. Benefits Provided (Continued)

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. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employee Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year.

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

C. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members and Minneapolis Retirement Fund Members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2016.

In 2016, the District was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Minneapolis Employees Retirement Fund members	9.75

The employee and employer contribution rates did not change from the previous year.

The District's contributions for the General Employees Retirement Plan for the year ended December 31, 2016, were \$38,748. 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 Plan (Continued)

D. Pension Costs

At December 31, 2016, the District reported a liability of \$627,526 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportion was .0077 percent. It was .0079 percent measured as of June 30, 2015. The District recognized pension expense of \$78,479 for its proportionate share of the General Employees Retirement Plan's pension expense.

The District also recognized \$2,444 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

District's proportionate share of the net pension liability	\$ 627,526
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>2,444</u>
Total	<u><u>\$ 629,970</u></u>

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

4. Defined Benefit Pension Plan

D. Pension Costs (Continued)

The District reported its proportionate share of the General Employees Retirement Plan'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 economic experience	\$ -	\$ 51,335
Changes in actuarial assumptions	122,870	-
Difference between projected and investment earnings	119,863	-
Changes in proportion	-	29,484
Contributions paid to PERA subsequent the measurement date	20,883	-
Total	<u>\$ 263,616</u>	<u>\$ 80,819</u>

A total of \$20,883 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, 2017. 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>
2017	\$ 40,767
2018	40,765
2019	57,714
2020	22,668

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

4. Defined Benefit Pension Plan (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables. The cost of living benefit increases for retirees was assumed to be 1.0 percent.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015.

The long-term expected rate of return on pension plan investments is 7.5 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 Plan

E. Actuarial Assumptions (Continued)

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 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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

4. Defined Benefit Pension Plan (Continued)

H. 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 (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Proportionate share of the General Employees Retirement Plan net pension liability	\$ 891,274	\$ 627,526	\$ 410,271

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; 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, 2016, 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.

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

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

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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,041,918	\$ 3,041,918	\$ 3,034,460	\$ (7,458)
Fees and charges	120,549	120,549	87,301	(33,248)
Intergovernmental	6,500	6,500	30,059	23,559
Investment income	-	-	13,439	13,439
Miscellaneous	-	-	4,885	4,885
Total Revenues	<u>\$ 3,168,967</u>	<u>\$ 3,168,967</u>	<u>\$ 3,170,144</u>	<u>\$ 1,177</u>
Expenditures				
Current				
Conservation of natural resources				
Personal services	\$ 807,463	\$ 807,463	\$ 685,320	\$ 122,143
Contractual services	518,593	518,593	719,434	(200,841)
Other services and charges	1,815,751	1,815,751	368,147	1,447,604
Capital outlay	27,160	27,160	7,064	20,096
Total Expenditures	<u>\$ 3,168,967</u>	<u>\$ 3,168,967</u>	<u>\$ 1,779,965</u>	<u>\$ 1,389,002</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 1,390,179	\$ 1,390,179
Fund Balance - January 1	<u>1,022,694</u>	<u>1,022,694</u>	<u>1,022,694</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 1,022,694</u></u>	<u><u>\$ 1,022,694</u></u>	<u><u>\$ 2,412,873</u></u>	<u><u>\$ 1,390,179</u></u>

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

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ -	\$ -	\$ 624	\$ 624
Expenditures				
Current				
Conservation of natural resources				
Contractual services	-	-	1,113	(1,113)
Net Change in Fund Balance	\$ -	\$ -	\$ (489)	\$ (489)
Fund Balance - January 1	<u>44,947</u>	<u>44,947</u>	<u>44,947</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 44,947</u></u>	<u><u>\$ 44,947</u></u>	<u><u>\$ 44,458</u></u>	<u><u>\$ (489)</u></u>

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

Schedule 3

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Coon Creek Watershed District (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0077%	\$ 627,526	\$ 2,444	\$ 629,970	\$ 479,601	130.84%	68.91%
2015	0.0079%	411,188	N/A	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.

N/A - Not Applicable

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

Schedule 4

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 38,748	\$ 38,748	\$ -	\$ 516,649	7.50%
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, 2016

1. 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.

2. Excess of Expenditures Over Budget

The Ditch Special Revenue Fund had expenditures in excess of budget at the function level for the year ended December 31, 2016, in the amount of \$1,113.

3. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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

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