

**North Fork Crow River
Watershed District
Brooten, Minnesota**

Financial Statements

December 31, 2015



North Fork Crow River Watershed District
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**North Fork Crow River Watershed District
Board of Managers
December 31, 2015**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
James Wuertz	President	May 9, 2016
Robert Brauchler	Vice President	May 5, 2016
John Hanson	Secretary	May 9, 2018
James Barchenger	Treasurer	June 9, 2018
Gary Berndt	Manager	May 9, 2017



Independent Auditor's Report

BerganKDV, Ltd.

Honorable President and Managers
of the Board
North Fork Crow River Watershed District
Brooten, Minnesota

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Fork Crow River Watershed District, Brooten, Minnesota, as of and for the year ended December 31, 2015, and the related notes to 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 North Fork Crow River Watershed District, Brooten, Minnesota, as of December 31, 2015, and the respective changes in financial position and the respective budgetary comparison for the Administrative Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 68 and GASB 71

As discussed in Note 10 to the financial statements, the District has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, as identified in the Table of Contents, is presented for purposes of additional analysis and is also not a required part of the financial statements.



Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

St. Cloud, Minnesota
June 2, 2016

**North Fork Crow River Watershed District
Management's Discussion and Analysis
December 31, 2015**

As management of North Fork Crow River Watershed District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2015.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$743,714 (net position). Of this amount, \$155,937 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the District's fund designations and fiscal policies.
- The District's total net position decreased by \$267,228.
- As of the close of the current year, the District's governmental funds reported combined ending fund balance of \$763,075 compared to \$821,650 in the previous year.
- At the end of the current year the survey and data acquisition fund balance was \$103, of which all was restricted.
- The District had debt outstanding of \$419,123 at the end of the current year, compared to \$490,154 the previous year.
- BWSR Clean Water Fund Conservation Drainage Grants: In 2015, the District had three active cost share grants for implementing agricultural Best Management Practices. \$34,633 of grant funds and \$4,590 of landowner in-kind contributions were used to install these conservation practices. The district was also awarded a Drainage Inventory and Inspection Database grant to develop a database to facilitate field inspections and track ditch maintenance projects throughout the district. \$16,757 in grant funds were expended for this purpose in 2015.
- Aquatic Invasive Species Inspection Project: In 2015, the District received a \$9,500 MN DNR grant, a \$28,805 Stearns County AIS Prevention grant, and a \$4,300 contribution from the City of Paynesville to hire seasonal watercraft inspectors and administer the inspection program. Project expenses totaled \$42,605.
- State Revolving Funds (SRF): Interest totaling \$1,055 accrued on the already loaned portion of SRF loan funds still available to district residents, while \$72,086 of previous SRF loan principal was paid off in 2015.

**North Fork Crow River Watershed District
Management's Discussion and Analysis
December 31, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the year. Such information may be useful in evaluating a government's near-term financial requirements.

**North Fork Crow River Watershed District
Management's Discussion and Analysis
December 31, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the District's near-term financial decisions. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual major governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the Administrative Fund, Survey and Data Acquisition Fund and the Special Projects Fund, which are considered to be major funds.

The District adopts an annual appropriated budget for its Administrative Fund.

A budgetary comparison statement has been provided for this Fund to demonstrate compliance with this budget.

Notes to the Financial Statements

The Notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$743,714 at the close of the most recent year.

A portion of the District's net position, \$170,132 reflects its investment in capital assets (building, land, land improvements, vehicle, and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. There is no debt related to these assets.

**North Fork Crow River Watershed District
Management's Discussion and Analysis
December 31, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position (Continued)

Following is a comparison of current and previous year net position.

	2015	2014
Current and other assets	\$ 1,229,267	\$ 1,424,053
Capital assets	170,132	180,141
Total assets	1,399,399	1,604,194
 Deferred outflows related to pensions	17,294	-
 Long-term liabilities	469,968	418,068
Other liabilities	138,600	93,210
Total liabilities	608,568	511,278
 Unavailable revenue-grant revenue	51,094	81,974
Deferred inflows related to pensions	13,317	-
Total deferred inflows of resources	64,411	81,974
 Net position		
Net investment in capital assets	170,132	180,141
Restricted	417,645	546,973
Unrestricted	155,937	283,828
 Total net position	\$ 743,714	\$ 1,010,942

At the end of the current year, the District is able to report positive balances in net position.

Changes in Net Position

Governmental activities resulted in a decrease of the District's net position by \$267,228. The details of the decrease are as listed on the following page.

**North Fork Crow River Watershed District
Management's Discussion and Analysis
December 31, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position (Continued)

	2015	2014
Revenues		
Program Revenues		
Charges for services	\$ 69,654	\$ 107,215
Operating grants and contributions	215,064	33,438
Capital Grants & Contributions	50,000	-
General Revenues		
Property taxes	252,610	255,194
State aids	6,922	4,091
Investment earnings	19,465	16,270
Other general revenues	21,032	26,615
Gain on sale of capital assets	30,766	-
Total revenues	665,513	442,823
Expenses		
General	283,010	308,723
Projects	509,357	171,472
Interest on long-term debt	23,176	20,790
Total expenses	815,543	500,985
Change in net position	(150,030)	(58,162)
Net position, beginning	1,010,942	1,069,104
Change in accounting principle (Note 10)	(117,198)	-
Net position - beginning as restated	893,744	1,069,104
Net position, ending	\$ 743,714	\$ 1,010,942

GOVERNMENTAL FUND FINANCIAL ANALYSIS

The focus of the District's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unrestricted fund balance may serve as useful measure of a government's net resources available for spending at the end of the year.

The Administrative Fund balance increased by \$120,552 in 2015 due primarily to the sale of the office building at 100 Prairie Ave North in Brooten and reclassified old interfund balances from two SRF projects funds which have met or will have enough funds to meet all debt obligations.

**North Fork Crow River Watershed District
Management's Discussion and Analysis
December 31, 2015**

BUDGETARY HIGHLIGHTS

Administrative Fund

The original budget for the Administrative Fund adopted by the Board of Managers was amended during 2015. The amended budget included: an additional \$40,000 of Capital Expenditures to fund the additional renovations of the office building, driveways, and landscaping which were not included in 2014 expenses, and an additional \$26,000 of office expenses to cover unforeseen building & costs of operation at the new location. The Administrative Fund revenues of \$394,894 exceeded budgeted revenues of \$258,900 due to intergovernmental revenues, contributions, and agricultural market value credits received, which were not budgeted for. Actual expenditures of \$386,001 exceeded the \$300,050 amended budgeted expenditures, once again mainly due to grant administration and other reimbursed projects. Due to the fact that the possible award of grant funds and project contributions during the year cannot be predicted and accurately budgeted, grant funds and project contributions received and expended resulted in overages in both revenues and expenditures of \$135,994 and \$85,951, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2015 amounts to \$247,558. This investment in capital assets is in land, building, vehicle, land improvement, and equipment. Accumulated depreciation was \$77,426 with current depreciation charges of \$10,404. Additional information on the District's capital assets can be found in Note 4 of the financial statements.

**The District's Capital Assets
(Net of Depreciation)**

December 31, 2015

Land, building, vehicles, land improvement, and equipment	<u>\$170,132</u>
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Long-Term Debt

At the end of the current year, the District had long-term debt outstanding of \$419,123. The debt decreased overall by \$71,031 from 2014, consisting of a reduction of \$72,086 in principal payments and an addition of \$1,055 in interest charged to the unclosed loan. Of this debt, \$73,535 is payable within one year, plus interest, and all of it is from state revolving funds. Additional information on the District's long-term debt can be found in Note 6 of the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

North Fork Crow River Watershed District
P.O. Box 40
Brooten, Minnesota 56316

BASIC FINANCIAL STATEMENTS

North Fork Crow River Watershed District
Statement of Net Position
December 31, 2015

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 811,242
Accounts receivable	4,431
Property taxes receivable	23,731
Special assessments receivable	385,426
Inventory	2,109
Prepaid items	2,328
Capital assets	
Land	24,500
Buildings	93,233
Equipment	93,379
Vehicles	23,898
Land Improvements	12,548
Less accumulated depreciation	<u>(77,426)</u>
Total assets	<u>1,399,399</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	<u>17,294</u>
Total assets and deferred outflows of resources	<u><u>\$ 1,416,693</u></u>
Liabilities	
Accounts payable	\$ 58,479
Interest payable	319
Loans payable	
Payable within one year	73,535
Payable after one year	345,588
Compensated absences payable	
Payable within one year	6,267
Net pension liability	<u>124,380</u>
Total liabilities	<u>608,568</u>
Deferred Inflows of Resources	
Unavailable revenue - grant revenue	51,094
Deferred inflows of resources related to pensions	<u>13,317</u>
Total deferred inflows of resources	<u>64,411</u>
Net Position	
Net investment in capital assets	170,132
Restricted for special projects	417,645
Unrestricted	<u>155,937</u>
Total net position	<u>743,714</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 1,416,693</u></u>

**North Fork Crow River Watershed District
Statement of Activities
Year Ended December 31, 2015**

Governmental activities	Program Revenues			Net (Expense) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
General government	\$ 283,010	\$ -	\$ 89,696	\$ -
Projects	509,357	69,654	125,368	50,000
Interest on long-term debt	23,176	-	-	-
Total governmental activities	\$ 815,543	\$ 69,654	\$ 215,064	\$ 50,000
General revenues				252,610
Property taxes				6,922
State aids				21,032
Other General Revenues				19,465
Investment earnings				30,766
Gain on sale of capital assets				330,795
Total general revenues				(150,030)
Change in net position				1,010,942
Net position - beginning, as previously stated				(117,198)
Change in accounting principle (Note 10)				893,744
Net position - beginning, as restated				\$ 743,714
Net position - ending				\$ 743,714

13 See notes to financial statements.

**North Fork Crow River Watershed District
Balance Sheet - Governmental Funds
December 31, 2015**

	Administrative (100)	Special Revenue Survey and Data Acquisition (200)	Capital Projects Special Projects	Total Governmental Funds
Assets				
Cash	\$ 333,138	\$ 103	\$ 478,001	\$ 811,242
Accounts receivable	4,431	-	-	4,431
Taxes receivable				
Current	16,410	-	23	16,433
Delinquent	7,026	-	272	7,298
Special assessments receivable				
Current	-	-	36,105	36,105
Delinquent	-	-	9,189	9,189
Deferred	-	-	340,132	340,132
Due from other funds	390,703	-	-	390,703
Prepaid items	2,328	-	-	2,328
Inventory	2,109	-	-	2,109
	<u>756,145</u>	<u>103</u>	<u>863,722</u>	<u>1,619,970</u>
Total assets	<u>\$ 756,145</u>	<u>\$ 103</u>	<u>\$ 863,722</u>	<u>\$ 1,619,970</u>
Liabilities				
Accounts payable	\$ 1,713	\$ -	\$ 56,766	\$ 58,479
Due to other funds	-	-	390,703	390,703
Total liabilities	<u>1,713</u>	<u>-</u>	<u>447,469</u>	<u>449,182</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes and assessments	7,026	-	349,593	356,619
Unavailable revenue - grant revenue	51,094	-	-	51,094
Total deferred inflows of resources	<u>58,120</u>	<u>-</u>	<u>349,593</u>	<u>407,713</u>
Fund Balances				
Nonspendable	4,437	-	-	4,437
Restricted	-	103	487,391	487,494
Unassigned	691,875	-	(420,731)	271,144
Total fund balances	<u>696,312</u>	<u>103</u>	<u>66,660</u>	<u>763,075</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 756,145</u>	<u>\$ 103</u>	<u>\$ 863,722</u>	<u>\$ 1,619,970</u>

**North Fork Crow River Watershed District
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2015**

Total fund balances - governmental funds	\$ 763,075
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	247,558
Less accumulated depreciation	(77,426)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Loans payable	(419,123)
Compensated absences payable	(6,267)
Net pension liability	(124,380)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(13,317)
Deferred outflows of resources related to pensions	17,294
Deferred receivables are not available to pay for current expenditures and, therefore, are deferred in the funds.	
Property taxes	7,298
Special assessments	349,321
Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.	(319)
Total net position - governmental activities	\$ 743,714

**North Fork Crow River Watershed District
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2015**

	Administrative (100)	Special Revenue Survey and Data Acquisition (200)	Capital Projects Special Projects	Total Governmental Funds
Revenues				
Property taxes	\$ 253,352	\$ -	\$ 66	\$ 253,418
Special assessments	-	-	218,841	218,841
Intergovernmental	104,224	-	117,762	221,986
Miscellaneous				
Investment income	16,286	11	3,168	19,465
Other	21,032	-	-	21,032
Total revenues	<u>394,894</u>	<u>11</u>	<u>339,837</u>	<u>734,742</u>
Expenditures				
Current				
General government	232,101	-	-	232,101
Projects	114,728	3,339	366,200	484,267
Debt service				
Principal	-	-	72,086	72,086
Interest and fiscal charges	-	-	22,186	22,186
Capital outlay				
General government	39,172	-	-	39,172
Projects	-	-	24,271	24,271
Total expenditures	<u>386,001</u>	<u>3,339</u>	<u>484,743</u>	<u>874,083</u>
Excess of revenues over (under) expenditures	8,893	(3,328)	(144,906)	(139,341)
Other Financing Sources				
Sources (Uses)				
Proceeds from sale of capital asset	30,766	-	-	30,766
Insurance recovery	-	-	50,000	50,000
Transfers in	80,893	-	-	80,893
Transfers out	-	-	(80,893)	(80,893)
Total other financing sources	<u>111,659</u>	<u>-</u>	<u>(30,893)</u>	<u>80,766</u>
Net change in fund balances	120,552	(3,328)	(175,799)	(58,575)
Fund Balances				
Beginning of year	<u>575,760</u>	<u>3,431</u>	<u>242,459</u>	<u>821,650</u>
End of year	<u>\$ 696,312</u>	<u>\$ 103</u>	<u>\$ 66,660</u>	<u>\$ 763,075</u>

See notes to financial statements.

**North Fork Crow River Watershed District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities -
Governmental Funds
Year Ended December 31, 2015**

Net change in fund balances - total governmental funds \$ (58,575)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays are reported in governmental funds as expenditures. However, in
the statement of activities, the cost of those assets is allocated over the estimated
useful lives as depreciation expense.

Capital outlays	24,740
Depreciation expense	(10,404)
Loss on disposal of capital assets	(24,345)

Compensated absences are recognized as paid in the governmental funds but
recognized as the expense is incurred in the Statement of Activities.

658

Governmental funds recognized pension contributions as expenditures at the time of
payment whereas the statement of activities factors in items related to pensions on a
full accrual perspective.

Pension expense	(3,205)
-----------------	---------

Principal payments on long-term debt are recognized as expenditures in the
governmental funds but as an increase in net position in the statement of activities.

72,086

Interest on long-term debt in the statement of activities differs from the amount
reported in the governmental funds because interest is recognized as an expenditure
in the funds when it is due and thus requires use of current financial resources. In
the statement of activities, however, interest expense is recognized as the interest
accrues, regardless of when it is due.

(990)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the funds.

Taxes and special assessments deferred and delinquent	<u>(149,995)</u>
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Change in net position - governmental activities

\$ (150,030)

**North Fork Crow River Watershed District
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Administrative Fund
Year Ended December 31, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
Revenues				
Property taxes	\$ 258,900	\$ 258,900	\$ 253,352	\$ (5,548)
Intergovernmental	-	-	104,224	104,224
Miscellaneous				
Investment Income	-	-	16,286	16,286
Other	-	-	21,032	21,032
Total revenues	258,900	258,900	394,894	135,994
Expenditures				
Current				
General government				
Employee expenses	185,184	185,184	146,000	(39,184)
Managers and administrative	13,615	13,615	11,880	(1,735)
Mileage and expenses	2,000	2,000	274	(1,726)
Professional fees	19,400	19,400	27,143	7,743
Office expenses	21,850	26,000	30,081	4,081
Public and professional education	10,000	10,000	13,684	3,684
Other	3,851	3,851	3,039	(812)
Projects				
Grant administration	-	-	89,696	89,696
Other	-	-	25,032	25,032
Capital Outlay				
General government				
Office expenses	3,000	40,000	39,172	(828)
Total expenditures	258,900	300,050	386,001	85,951
Excess of expenditures over (under) revenues	-	(41,150)	8,893	50,043
Other Financing Sources				
Proceeds from sale of capital assets	-	-	30,766	30,766
Transfers in	-	-	80,893	80,893
Total other financing sources (uses)	-	-	111,659	111,659
Net change in fund balances	\$ -	\$ (41,150)	120,552	\$ 161,702
Fund Balances				
Beginning of year			575,760	
End of year			\$ 696,312	

North Fork Crow River Watershed District Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The North Fork Crow River Watershed District (the "District") is a watershed district created under the provisions of *Minnesota Statutes*. The District is governed by five managers appointed by Stearns, Kandiyohi, Meeker, and Pope Counties' Boards of Commissioners for three year terms. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

The financial statements present the District and its component units. The District includes all funds, account groups, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

Blended Component Units – Reported as if they were part of the District.

Joint Ventures and Jointly Governed Organizations – The relationship of the District with the entity is disclosed.

Related Organization – The relationship of the District with the entity is disclosed.

As a result of applying the component unit definition criteria above, we have not identified any organizations that are considered to be component units of the District.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Description of Funds

Major Governmental Funds

Administrative Fund – This Fund is the District's primary operating fund. It accounts for all financial resources of the general District, except those required to be accounted for in another fund.

Survey and Data Acquisition Special Revenue Fund – This Fund accounts for costs of performing surveys and acquiring data. The Fund is financed by an ad valorem levy, which can be levied once every five years.

Special Projects Capital Projects Fund – This Fund accounts for the maintenance and repair of any water course or water body lying wholly or partially within the District.

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

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

1. Deposits and Investments

The District's cash and investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, and repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days.

The District did not have formal policies in place as of December 31, 2015, to address custodial credit risk for deposits. The District also did not have policies in place to address credit risk, concentration of credit risk, interest rate risk and custodial credit risk for investments.

At December 31, 2015, cash and investments were comprised of deposits, including savings accounts at a commercial bank.

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. *Minnesota Statutes* requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments to those in the top two ratings issued by nationally recognized statistical rating organizations.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer.

Interest Rate Risk: This is the risk that market values of a security in a portfolio would decrease due to changes in market interest rates.

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Property Tax Collection Calendar

The District levies its property tax for the subsequent year during the month of August. December 28 is the last day the District can certify a tax levy to the County Auditors for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. The property tax is recorded as revenue when it becomes measurable and available. Stearns, Kandiyohi, Meeker, and Pope Counties are the collecting agencies for the levy and remit the collections to the District three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditors prepare the tax list for all taxable property in the District, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditors also collect all special assessments, except for certain prepayments paid directly to the District.

The County Auditors submit the list of taxes and special assessments to be collected on each parcel of property to the County Treasurers in January of each year.

3. Special Assessment Revenue Recognition

Special assessments are levied against benefited properties for the cost or a portion of the cost of projects in accordance with *Minnesota Statutes*. These assessments are collectible by the District over a term of years usually consistent with the term of the related note payable. Collection of annual installments (including interest) is handled by the County Auditors in the same manner as property taxes. Property owners are allowed to prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the Board of Managers or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are allocated first to the County's costs of administering all tax forfeit properties. Pursuant to *Minnesota Statutes*, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land in which event the property is subject to such sale after five years.

a. Government-Wide Financial Statements

The District recognizes special assessment revenue in the period the assessment roll was adopted by the Board of Managers. Uncollectible special assessments are not material and have not been reported.

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Special Assessment Revenue Recognition (Continued)

b. Governmental Fund Financial Statements

Revenue from special assessments is recognized by the District when it becomes measurable and available to finance expenditures of the current period. In practice, current and delinquent special assessments received by the District are recognized as revenue for the current year. Special assessments that are collected by the Counties by December 31 and remitted to the District within 60 days of December 31 are also recognized as revenue for the current year. All remaining delinquent, deferred, and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources for unavailable revenue.

4. Inventory and Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Inventories of materials and supplies are maintained for District use and occasional sale at cost to other governmental units. Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. Capital Assets

Capital assets, which include property, plant, 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 more than \$5,000 and an estimated useful life in excess of two 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	7-40
Land improvements	5-30
Machinery, equipment, and radios	5-40
Vehicles	3-50

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 that time. The District has one item that qualifies for reporting in this category. The District presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions. Deferred outflows of resources related to pensions results from the net effect of the changes in pension activity.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The District presents deferred inflows of resources on the Balance Sheet - Governmental Fund as unavailable revenue. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and grant revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions. Deferred inflows of resources related to pensions results from the net effect of changes in pension activity.

7. Compensated Absences

Full-time permanent employees earn paid time off (PTO) at a rate based on their years of service. The District compensates employees who resign or retire for unused PTO.

8. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities fund type Statement of Net Position.

In the fund financial statements, governmental fund types recognize issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Pensions

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

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balance

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balance** – These are amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted Fund Balance** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balance** – These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the government's highest level of decision making authority, which is the Board of Managers, and that remain binding unless removed by subsequent formal action of the Board of Managers.
- **Assigned Fund Balance** – These are amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the Administrative Fund, that are not classified as nonspendable, restricted, or committed. Assignments are made by the District's Administrator based on the Board of Manager's direction.
- **Unassigned Fund Balance** – These are residual amounts in the Administrative Fund not reported in any other classification. The Administrative Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources and use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order; committed, assigned, and unassigned.

b. Minimum Fund Balance

The District will maintain an unrestricted fund balance in the Administrative Fund of an amount not less than 35% of the next year's budgeted expenditures.

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to construct or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

12. 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. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

13. State Revolving Funds

State revolving funds is money received through clean water partnership as a loan to individuals participating in land and septic improvements that affect water quality. Landowners whose applications are approved by the Board of Managers are eligible for loans not to exceed the actual cost of the project. Loans are repaid through special assessments.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

1. In August of each year, the District submits to the Board of Managers, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. A budget for the Administrative Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are not adopted for Special Revenue Funds. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
4. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without Board of Manager's approval. The Board of Managers may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
5. Budgeted amounts are as originally adopted or as amended by the Board of Managers. Budgeted expenditure appropriations lapse at year-end.

Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Disbursements in Excess of Appropriations

	<u>Disbursements</u>	<u>Appropriations</u>	<u>Excess</u>
Administrative fund	\$ 386,001	\$ 300,050	\$ 85,951

C. Deficit Fund Balances

The Funds listed below had negative fund balances at December 31, 2015:

Special Projects Funds:

Judicial Ditch No. 1	\$ 139,286
Judicial Ditch No. 2	25,839
County Ditch No. 5	24,953
County Ditch No. 32	143,922
County Ditch No. 37	45,818
Meeker County Ditch No. 4	40,913

The District has implemented plans to eliminate these deficits by future grants, loans, and special assessments.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk: As of December 31, 2015, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

Total deposits at December 31, 2015, were as follows:

Checking	\$ 2,922
Savings	808,320
Total deposits	\$ 811,242

Deposits are presented in the December 31, 2015, basic financial statements as follows:

Statement of Net Position	\$ 811,242
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**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 4 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 24,500	\$ -	\$ -	\$ 24,500
Capital assets being depreciated				
Buildings	\$ 137,979	\$ -	\$ 44,746	\$ 93,233
Equipment	90,870	12,192	9,683	93,379
Vehicles	23,898	-	-	23,898
Land improvements	-	12,548	-	12,548
Total capital assets being depreciated	<u>252,747</u>	<u>24,740</u>	<u>54,429</u>	<u>223,058</u>
Less accumulated depreciation for				
Buildings	19,845	2,984	20,401	2,428
Equipment	69,189	3,727	9,683	63,233
Vehicles	8,072	3,414	-	11,486
Land improvements	-	279	-	279
Total accumulated depreciation	<u>97,106</u>	<u>10,404</u>	<u>30,084</u>	<u>77,426</u>
Total capital assets being depreciated, net	<u>155,641</u>	<u>14,336</u>	<u>24,345</u>	<u>145,632</u>
Governmental activities, capital assets, net	<u>\$ 180,141</u>	<u>\$ 14,336</u>	<u>\$ 24,345</u>	<u>\$ 170,132</u>

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

Governmental activities	
General government	<u>\$ 10,404</u>

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A. Due to/from Other Funds

The composition of interfund balances as of December 31, 2015, was as follows:

	<u>Amounts Due to Other Funds</u> <u>Administrative</u>
Amounts due from other funds	
Special projects	<u>\$ 390,703</u>
Total	<u><u>\$ 390,703</u></u>

The amounts due to the Administrative Fund represent accruals to account for short-term borrowing for cash flow purposes.

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2015 was as follows:

	<u>Transfer In</u> <u>Administrative</u>
Transfers Out	
Lake Koronis and Rice Lake	<u>\$ 71,722</u>
WW/Mid SRF	<u>9,171</u>
Total	<u><u>\$ 80,893</u></u>

The above transfers were made to reallocate funds and forgive old interfund balances.

NOTE 6 – LONG-TERM DEBT

A. Loans Payable

The District enters into loan agreements with the State of Minnesota to provide financing for watershed projects and improvements. Debt service is covered respectively by special assessments against benefited properties with any shortfalls being paid from general taxes.

These loans generally are issued with a 10 to 15 year term with equal debt service payments each year.

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 6 – LONG-TERM DEBT (CONTINUED)

B. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
Governmental activities						
State of Minnesota Project						
Loans payable						
SRF0139 - Water Quality Improvement Continuation	12/28/04	2%	\$ 431,283	12/15/18	\$ 138,510	\$ 45,255
SRF0218 - North Fork Crow Septic System/ Feedlot upgrades	03/19/10	2%	294,766	06/15/23	226,479	28,280
SRF0268 - North Fork Crow Septic System/ Feedlot upgrades continuation project	02/11/13	2%	500,000	*	<u>54,134</u>	-
Total State of Minnesota Project loans payable					419,123	73,535
Compensated absences					<u>6,267</u>	<u>6,267</u>
Total all long-term liabilities					<u>\$ 425,390</u>	<u>\$ 79,802</u>

* The District is still currently drawing down on the balance of this loan. Final payment schedules indicating the final maturity of the loan will not be available until the loan is fully drawn and the State finalizes the loan documentation. The balance of this loan is excluded from the debt service requirements to maturity schedules as shown below.

C. Minimum Debt Payments

Annual debt service requirements to maturity for all outstanding debt are as follows:

Year Ended December 31,	Governmental Activities		
	State of Minnesota Project Loans		
	Principal	Interest	Total
2016	\$ 73,535	\$ 6,934	\$ 80,469
2017	75,013	5,456	80,469
2018	76,520	3,948	80,468
2019	30,020	2,649	32,669
2020	30,623	2,046	32,669
2021-2023	<u>79,278</u>	<u>2,394</u>	<u>81,672</u>
Total	<u>\$ 364,989</u>	<u>\$ 23,427</u>	<u>\$ 388,416</u>

D. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
State of Minnesota Project					
Loans payable	\$ 490,154	\$ 1,055	\$ 72,086	\$ 419,123	\$ 73,535
Compensated absences	<u>6,925</u>	<u>10,349</u>	<u>11,007</u>	<u>6,267</u>	<u>6,267</u>
Total governmental activities	<u>\$ 497,079</u>	<u>\$ 11,404</u>	<u>\$ 83,093</u>	<u>\$ 425,390</u>	<u>\$ 79,802</u>

The Administrative Fund typically liquidates the liability related to compensated absences.

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 7 – FUND BALANCE/NET POSITION

A. Fund Balance

Fund balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	<u>Administrative</u>	<u>Survey and Data Acquisition</u>	<u>Special Projects</u>	<u>Total</u>
Nonspendable				
Prepaid Items	\$ 2,328	\$ -	\$ -	\$ 2,328
Inventory	2,109	-	-	2,109
Restricted				
Survey and Data Acquisition	-	103	-	103
Projects	-	-	487,391	487,391
Unassigned	<u>691,875</u>	<u>-</u>	<u>(420,731)</u>	<u>271,144</u>
 Total	 <u>\$ 696,312</u>	 <u>\$ 103</u>	 <u>\$ 66,660</u>	 <u>\$ 763,075</u>

B. Net Position

Restricted net position is comprised of the total restricted fund balance in the governmental funds plus the effect of the conversion to the government-wide net position.

NOTE 8 – RISK MANAGEMENT

The District purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state, which is a public entity risk pool currently operating as a common risk management and insurance program. The District pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining, through commercial companies, for excess claims. The District is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

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

The District's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2015 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2015, there were no other claims liabilities reported in the Fund based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 9 – PENSION PLANS

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with Minnesota Statutes, Chapters 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 Fund (GERF)

All full-time and certain part-time employees of the District are covered by the GERF. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

B. Benefits Provided

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

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

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

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

GERF Benefits

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

C. Contributions

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The District was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The District's contributions to the GERF for the year ended December 31, 2015, were \$11,038. The District's contributions were equal to the required contributions as set by state statute.

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

GERF Pension Costs

At December 31, 2015, the District reported a liability of \$124,380 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the District's proportion was 0.0024%.

For the year ended December 31, 2015, the District recognized pension expense of \$14,231 for its proportionate share of GERF's pension expense.

At December 31, 2015, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 6,271
Difference between projected and actual investment earnings	11,775	-
Changes in proportion	-	7,046
Contributions paid to PERA subsequent to the measurement date	<u>5,519</u>	<u>-</u>
	<u>\$ 17,294</u>	<u>\$ 13,317</u>

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

GERF Pension Costs (Continued)

\$5,519 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2016	\$ (1,495)
2017	(1,495)
2018	(1,495)
2019	2,943

E. Actuarial Assumptions

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

Inflation	2.75 % Per year
Active member payroll growth	3.50 % Per year
Investment rate of return	7.90 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

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

<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
Total	<u>100%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on those assumptions, 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.

**North Fork Crow River Watershed District
Notes to Financial Statements**

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
District's proportionate share of the GERP net pension liability	\$ 195,570	\$ 124,380	\$ 65,589

H. Pension Plan Fiduciary Net Position

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

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This resulted in an adjustment to the beginning net position on the Statement of Activities of \$117,198 to add the beginning net pension liability.

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REQUIRED SUPPLEMENTARY INFORMATION

**North Fork Crow River Watershed District
Schedule of District's Proportionate Share
of Net Pension Liability - GERS Retirement Fund
Last Ten Years***

<u>For Fiscal Year Ended June 30,</u>	<u>District's Proportion of the Net Pension Liability (Asset)</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>District's Covered- Employee Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.0024%	\$ 124,380	\$ 147,173	84.51%	78.19%

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**North Fork Crow River Watershed District
Schedule of District Contributions -
GERF Retirement Fund
Last Ten Years***

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 11,038	\$ 11,038	\$ -	\$ 147,173	7.50%

*This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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SUPPLEMENTARY INFORMATION

**North Fork Crow River Watershed District
Combining Balance Sheet -
Special Projects Funds
December 31, 2015**

	Judicial Ditch No. 1 (301)	Judicial Ditch No. 2 (302)	County Ditch No. 5 (303)	County Ditch No. 7 (304)
Assets				
Cash	\$ 100	\$ 100	\$ 100	\$ 56,829
Property taxes receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Special assessments receivable				
Current	8,235	2,342	4,904	-
Delinquent	628	-	-	-
Deferred	-	13,946	39,037	-
	<u>8,963</u>	<u>16,388</u>	<u>44,041</u>	<u>56,829</u>
Total assets	<u>\$ 8,963</u>	<u>\$ 16,388</u>	<u>\$ 44,041</u>	<u>\$ 56,829</u>
Liabilities				
Accounts payable	\$ 45,395	\$ -	\$ -	\$ 1,950
Due to other funds	102,226	28,281	29,957	-
Total liabilities	<u>147,621</u>	<u>28,281</u>	<u>29,957</u>	<u>1,950</u>
Deferred Inflows of Resources (uses)				
Unavailable revenue - taxes and assessments	<u>628</u>	<u>13,946</u>	<u>39,037</u>	<u>-</u>
Fund Balances				
Restricted	-	-	-	54,879
Unassigned	<u>(139,286)</u>	<u>(25,839)</u>	<u>(24,953)</u>	<u>-</u>
Total fund balances	<u>(139,286)</u>	<u>(25,839)</u>	<u>(24,953)</u>	<u>54,879</u>
	<u>\$ 8,963</u>	<u>\$ 16,388</u>	<u>\$ 44,041</u>	<u>\$ 56,829</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,963</u>	<u>\$ 16,388</u>	<u>\$ 44,041</u>	<u>\$ 56,829</u>

<u>County Ditch No. 21 (305)</u>	<u>County Ditch No. 29 (306)</u>	<u>County Ditch No. 32 (307)</u>	<u>County Ditch No. 36 (308)</u>	<u>County Ditch No. 37 (309)</u>	<u>County Ditch No. 38 (310)</u>	<u>Meeker County Ditch No. 4 (311)</u>
\$ 1,655	\$ 8,450	\$ 100	\$ 1,889	\$ 100	\$ 1,366	\$ 100
-	-	-	-	-	-	-
-	-	-	-	-	-	-
378	-	-	-	4,074	61	247
-	-	-	10	-	-	-
<u>3,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,345</u>	<u>-</u>	<u>11,045</u>
<u>\$ 5,177</u>	<u>\$ 8,450</u>	<u>\$ 100</u>	<u>\$ 1,899</u>	<u>\$ 53,519</u>	<u>\$ 1,427</u>	<u>\$ 11,392</u>
\$ -	\$ 150	\$ 908	\$ -	\$ -	\$ -	\$ 4,127
-	-	143,114	-	49,992	-	37,133
<u>-</u>	<u>150</u>	<u>144,022</u>	<u>-</u>	<u>49,992</u>	<u>-</u>	<u>41,260</u>
<u>3,144</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>49,345</u>	<u>-</u>	<u>11,045</u>
2,033	8,300	-	1,889	-	1,427	-
-	-	(143,922)	-	(45,818)	-	(40,913)
<u>2,033</u>	<u>8,300</u>	<u>(143,922)</u>	<u>1,889</u>	<u>(45,818)</u>	<u>1,427</u>	<u>(40,913)</u>
<u>\$ 5,177</u>	<u>\$ 8,450</u>	<u>\$ 100</u>	<u>\$ 1,899</u>	<u>\$ 53,519</u>	<u>\$ 1,427</u>	<u>\$ 11,392</u>

**North Fork Crow River Watershed District
Combining Balance Sheet -
Special Projects Funds
December 31, 2015**

	Meeker County Ditch No. 40 (312)	Meeker County Ditch No. 43 (313)	North Fork Crow River Watershed Wide Projects (314)
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash	\$ 160	\$ 24,058	\$ 44,796
Property taxes receivable			
Current	-	-	19
Delinquent	-	-	229
Special assessments receivable			
Current	-	763	-
Delinquent	-	32	-
Deferred	-	29,705	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 160</u>	<u>\$ 54,558</u>	<u>\$ 45,044</u>
Liabilities			
Accounts payable	\$ -	\$ 4,236	\$ -
Due to other funds	-	-	-
Total liabilities	<u> </u>	<u> </u>	<u> </u>
	<u>-</u>	<u>4,236</u>	<u>-</u>
Deferred Inflows of Resources (uses)			
Unavailable revenue - taxes and assessments	-	29,737	229
	<u> </u>	<u> </u>	<u> </u>
	<u>-</u>	<u>29,737</u>	<u>229</u>
Fund Balances			
Restricted	160	20,585	44,815
Unassigned	-	-	-
Total fund balances	<u> </u>	<u> </u>	<u> </u>
	<u>160</u>	<u>20,585</u>	<u>44,815</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 160</u>	 <u>\$ 54,558</u>	 <u>\$ 45,044</u>

Lake Koronis and Rice Lake (315)	WW/Mid SRF (317)	SRF 0218 (318)	SRF 0268 (321)	Total Special Projects Funds
\$ 100,538	\$ 116,680	\$ 108,793	\$ 12,187	\$ 478,001
4	-	-	-	23
43	-	-	-	272
-	5,316	7,565	2,220	36,105
-	5,736	2,783	-	9,189
6,160	25,725	120,960	41,065	340,132
<u>\$ 106,745</u>	<u>\$ 153,457</u>	<u>\$ 240,101</u>	<u>\$ 55,472</u>	<u>\$ 863,722</u>
\$ -	\$ -	\$ -	\$ -	\$ 56,766
-	-	-	-	390,703
-	-	-	-	447,469
6,203	31,461	123,743	41,065	349,593
100,542	121,996	116,358	14,407	487,391
-	-	-	-	(420,731)
<u>100,542</u>	<u>121,996</u>	<u>116,358</u>	<u>14,407</u>	<u>66,660</u>
<u>\$ 106,745</u>	<u>\$ 153,457</u>	<u>\$ 240,101</u>	<u>\$ 55,472</u>	<u>\$ 863,722</u>

**North Fork Crow River Watershed District
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Special Projects Funds
Year Ended December 31, 2015**

	Judicial Ditch No. 1 (301)	Judicial Ditch No. 2 (302)	County Ditch No. 5 (303)	County Ditch No. 7 (304)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	57,835	7,502	25,509	-
Intergovernmental	-	196	-	-
Miscellaneous				
Investment income	2	1	2	397
Total revenues	<u>57,837</u>	<u>7,699</u>	<u>25,511</u>	<u>397</u>
Expenditures				
Current				
Projects				
Wages	5,424	4	136	318
Managers and administrative	25	-	-	-
Maintenance and repair	10,806	-	567	-
Mileage and expense	90	-	-	18
Professional fees	95,197	-	-	1,950
Office expense	240	-	-	-
Other	1,028	9	62	7
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	3,266	1,286	1,659	-
Capital Outlay				
Project expenditures	-	-	-	-
Total expenditures	<u>116,076</u>	<u>1,299</u>	<u>2,424</u>	<u>2,293</u>
Excess of revenues over (under) expenditures	(58,239)	6,400	23,087	(1,896)
Other Financing Sources (Uses)				
Insurance recovery	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(58,239)	6,400	23,087	(1,896)
Fund Balances				
Beginning of year	<u>(81,047)</u>	<u>(32,239)</u>	<u>(48,040)</u>	<u>56,775</u>
End of year	<u>\$ (139,286)</u>	<u>\$ (25,839)</u>	<u>\$ (24,953)</u>	<u>\$ 54,879</u>

County Ditch No. 21 (305)	County Ditch No. 29 (306)	County Ditch No. 32 (307)	County Ditch No. 36 (308)	County Ditch No. 37 (309)	County Ditch No. 38 (310)	Meeker County Ditch No. 4 (311)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,272	-	-	-	12,805	1,121	6,924
-	7,116	106,444	-	4,006	-	-
4	13	1	15	1	5	1
<u>3,276</u>	<u>7,129</u>	<u>106,445</u>	<u>15</u>	<u>16,812</u>	<u>1,126</u>	<u>6,925</u>
206	229	9,293	-	404	-	3,318
-	-	1,531	-	-	-	93
-	550	2,700	451	350	-	-
16	3	628	-	6	-	107
-	150	202,055	-	2,307	-	8,284
-	-	321	-	-	-	29
152	4	728	-	15	79	87
-	-	-	-	-	-	-
16	-	4,829	-	1,161	-	447
-	-	-	-	-	-	24,271
<u>390</u>	<u>936</u>	<u>222,085</u>	<u>451</u>	<u>4,243</u>	<u>79</u>	<u>36,636</u>
2,886	6,193	(115,640)	(436)	12,569	1,047	(29,711)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,886	6,193	(115,640)	(436)	12,569	1,047	(29,711)
(853)	2,107	(28,282)	2,325	(58,387)	380	(11,202)
<u>\$ 2,033</u>	<u>\$ 8,300</u>	<u>\$ (143,922)</u>	<u>\$ 1,889</u>	<u>\$ (45,818)</u>	<u>\$ 1,427</u>	<u>\$ (40,913)</u>

**North Fork Crow River Watershed District
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Special Projects Funds
Year Ended December 31, 2015**

	Meeker County Ditch No. 40 (312)	Meeker County Ditch No. 43 (313)	North Fork Crow River Watershed Wide Projects (314)
Revenues			
Property taxes	\$ -	\$ -	\$ 63
Special assessments	-	12,251	-
Intergovernmental	-	-	-
Miscellaneous			
Investment income	1	30	317
Total revenues	<u>1</u>	<u>12,281</u>	<u>380</u>
Expenditures			
Current			
Projects			
Wages	-	606	-
Managers and administrative	-	-	-
Maintenance and repair	-	150	-
Mileage and expense	-	43	-
Professional fees	-	7,017	-
Office expense	-	-	-
Other	-	33	-
Debt Service			
Principal	-	-	-
Interest and fiscal charges	-	1,139	-
Capital Outlay			
Project expenditures	-	-	-
Total expenditures	<u>-</u>	<u>8,988</u>	<u>-</u>
Excess of revenues over (under) expenditures	1	3,293	380
Other Financing Sources (Uses)			
Insurance recovery	-	50,000	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>50,000</u>	<u>-</u>
Net change in fund balances	1	53,293	380
Fund Balances			
Beginning of year	<u>159</u>	<u>(32,708)</u>	<u>44,435</u>
End of year	<u>\$ 160</u>	<u>\$ 20,585</u>	<u>\$ 44,815</u>

Lake Koronis and Rice Lake (315)	WW/Mid SRF (317)	SRF 0218 (318)	SRF 0268 (321)	Total Special Projects Funds
\$ 3	\$ -	\$ -	\$ -	\$ 66
6,381	35,650	40,971	8,620	218,841
-	-	-	-	117,762
711	892	751	24	3,168
<u>7,095</u>	<u>36,542</u>	<u>41,722</u>	<u>8,644</u>	<u>339,837</u>
-	-	-	-	19,938
-	-	-	-	1,649
-	-	-	-	15,574
-	-	-	-	911
-	-	-	-	316,960
-	-	-	-	590
8,345	7	8	14	10,578
-	44,363	27,723	-	72,086
-	3,437	4,946	-	22,186
-	-	-	-	24,271
<u>8,345</u>	<u>47,807</u>	<u>32,677</u>	<u>14</u>	<u>484,743</u>
(1,250)	(11,265)	9,045	8,630	(144,906)
-	-	-	-	50,000
<u>(71,722)</u>	<u>(9,171)</u>	<u>-</u>	<u>-</u>	<u>(80,893)</u>
<u>(71,722)</u>	<u>(9,171)</u>	<u>-</u>	<u>-</u>	<u>(30,893)</u>
(72,972)	(20,436)	9,045	8,630	(175,799)
<u>173,514</u>	<u>142,432</u>	<u>107,313</u>	<u>5,777</u>	<u>242,459</u>
<u>\$ 100,542</u>	<u>\$ 121,996</u>	<u>\$ 116,358</u>	<u>\$ 14,407</u>	<u>\$ 66,660</u>

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**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Honorable President and Managers
of the Board
North Fork Crow River Watershed District
Brooten, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of North Fork Crow River Watershed District, Brooten, Minnesota, as of and for the year ended December 31, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 2, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

BergankDV, Ltd.

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Internal Control over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses on Internal Control as Audit Findings 2010-001 and 2010-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses on Internal Control. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bergan KDV, Ltd.

St. Cloud, Minnesota
June 2, 2016



Report on Legal Compliance

Independent Auditor's Report

Honorable President and Managers
of the Board
North Fork Crow River Watershed District
Brooten, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of North Fork Crow River Watershed District, Brooten, Minnesota, as of and for the year ended December 31, 2015, and the related notes to financial statements, and have issued our report thereon dated June 2, 2016.

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

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

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

Bergan KDV, Ltd.

St. Cloud, Minnesota
June 2, 2016

BerganKDV, Ltd.

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**North Fork Crow River Watershed District
Schedule of Findings and Responses on
Internal Control**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS

Material Weaknesses

Audit Finding 2010-001 – Lack of Segregation of Accounting Duties

The District had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. In order to have appropriate segregation of accounting duties, the performance of the following duties would need to be completed by a different employee: initiation and authorization of transactions, recording and processing of transactions, reconciliation and reporting of transactions, and financial information and custody of assets.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the number of staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

Management's Response

Solutions to remedy this situation have been explored; it has been found that it would not be cost effective to hire additional staff to have greater segregation of duties.

Audit Finding 2010-003 – Preparation of Financial Statements and Related Note Disclosures

As a function of the audit process, auditors are required to gain an understanding of the District's internal control, including the financial reporting process.

The District does not have an internal control system designed to provide for the preparation of the financial statements and related note disclosures in accordance with accounting principles generally accepted in the United States of America. As auditors, we were requested to draft the financial statements and accompanying notes to financial statements. This circumstance is not unusual in an organization of your size.

This condition increases the risk that errors could occur which would not be prevented, or detected and corrected in a timely manner. Even though all management decisions related to financial reporting are made by the District's management and approval of the financial statements lies with management, it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**North Fork Crow River Watershed District
Schedule of Findings and Responses on
Internal Control**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS (CONTINUED)

Material Weaknesses (Continued)

**Audit Finding 2010-003 – Preparation of Financial Statements and Related Note Disclosures
(Continued)**

Management's Response

Solutions have been considered but it is not cost effective to hire additional staff qualified to prepare the financial statements.