SOUTH DAKOTA BOARD OF WATER AND NATURAL RESOURCES CLEAN WATER STATE REVOLVING FUND

AUDIT REPORT

Fiscal Year Ended June 30, 2012

SOUTH DAKOTA BOARD OF WATER AND NATURAL RESOURCES
CLEAN WATER STATE REVOLVING FUND
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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*

The Honorable Dennis Daugaard
Governor of South Dakota

and

South Dakota Board of Water and Natural Resources

We have audited the financial statements of the Clean Water State Revolving Fund as of and for the fiscal year ended June 30, 2012 and have issued our report thereon dated January 14, 2013. 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.

Internal Control Over Financial Reporting

Management of the South Dakota Board of Water and Natural Resources is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the South Dakota Board of Water and Natural Resources' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Dakota Board of Water and Natural Resources' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Dakota Board of Water and Natural Resources' internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Water and Natural Resources' financial statements are free of 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*.

We noted certain matters that we reported to management of the Department of Environment and Natural Resources and the South Dakota Board of Water and Natural Resources in a separate letter dated January14, 2013.

This report is intended solely for the information and use of management and members of the South Dakota Legislature and is not intended to be and should not be used by anyone other than those specified. However, this report is a matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

January 14, 2013

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable Dennis Daugaard
Governor of South Dakota

and

South Dakota Board of Water and Natural Resources

We have audited the accompanying financial statements of the Clean Water State Revolving Fund, as of and for the fiscal year ended June 30, 2012, as listed in the Table of Contents. These financial statements are the responsibility of the South Dakota Board of Water and Natural Resources' management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of the Clean Water State Revolving Fund are intended to present the financial position, and changes in financial position and cash flows, of the business type activities of the State that is attributable to the transactions of the Clean Water State Revolving Fund. They do not purport to, and do not, present fairly the financial position of the State of South Dakota as of June 30, 2012, and the changes in its financial position and its cash flows, where applicable, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clean Water State Revolving Fund as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated January 14, 2013, on our consideration of the Board of Water and Natural Resources' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Martin L. Guindon, CPA
Auditor General

January 14, 2013

SOUTH DAKOTA BOARD OF WATER
AND NATURAL RESOURCES
CLEAN WATER STATE REVOLVING FUND
STATEMENT OF NET ASSETS
June 30, 2012

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 84,701,277.89
Restricted Cash and Cash Equivalents	3,011.66
Total Cash and Cash Equivalents	84,704,289.55
Investments	715,823.81
Due From Federal Government	97,075.61
Due from Other Governments	259,617.82
Deferred Charges	51,683.49
Accrued Interest Receivable	2,080,222.52
Loans Receivable	14,831,981.83
Total Current Assets	102,740,694.63
Noncurrent Assets:	
Investments	59,608,265.57
Restricted Investments	95,770.84
Deferred Charges	866,112.62
Loans Receivable	186,933,749.17
Total Noncurrent Assets	247,503,898.20
Total Assets	350,244,592.83
Liabilities	
Current Liabilities:	
Accounts Payable	412,814.93
Due To Other Funds	196,621.67
Cost of Issuance Payable	141,307.10
Accrued Liabilities	15,757.95
Compensated Absences Payable	33,387.78
Accrued Interest Payable	1,408,225.40
Bonds Payable - net of unamortized premium, discount, and deferred amount of refunding	6,283,973.87
Total Current Liabilities	8,492,088.70
Noncurrent Liabilities:	
Compensated Absences Payable	29,253.46
Arbitrage Payable	88,077.09
Bonds Payable - net of unamortized premium, discount, and deferred amount of refunding	147,791,546.62
Total Noncurrent Liabilities	147,908,877.17
Total Liabilities	156,400,965.87
Net Assets	
Restricted For Debt Service	98,782.50
Unrestricted	193,744,844.46
Total Net Assets	$ 193,843,626.96

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

SOUTH DAKOTA BOARD OF WATER
AND NATURAL RESOURCES
CLEAN WATER STATE REVOLVING FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended June 30, 2012

Operating Revenues:		
Loan Interest Income		$ 3,927,396.01
Federal Capitalization Grants		4,288,793.05
Other Income		1,242,848.62
Total Operating Revenue		9,459,037.68
Operating Expenses:		
Administrative Expenses		
Personal Services	196,457.38	
Employee Benefits	48,250.26	
Travel	8,061.07	
Contractual	533,134.95	
Supplies	1,598.14	
Grants	859,022.50	
Other	737.76	
Total Administrative Expenses		1,647,262.06
Grant Expense		10,625,607.00
Other Expense		73.37
Interest Expense		3,990,386.80
Arbitrage Rebate		90,095.50
Bond Issuance Expense		51,600.78
Total Operating Expenses		16,405,025.51
Operating Income (Loss)		(6,945,987.83)
Nonoperating Revenues:		
Other Income		504,472.83
Investment Income		3,493,582.34
Total Nonoperating Revenues		3,998,055.17
Income (Loss) Before Transfers		(2,947,932.66)
Transfers:		
Transfer Out		(31,393.42)
Change in Net Assets		(2,979,326.08)
Net Assets at Beginning of Year, Restated		196,822,953.04
Net Assets at End of Year		$ 193,843,626.96

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

SOUTH DAKOTA BOARD OF WATER
AND NATURAL RESOURCES
CLEAN WATER STATE REVOLVING FUND
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012

Cash Flows from Operating Activities:		
Receipts for Loan Repayments	$ 25,150,781.32	
Receipts for Interest Income on Loans	3,936,078.37	
Receipts for Surcharge Interest on Loans	1,248,284.70	
Receipts for Administering Program	4,304,583.00	
Payments to Loan Recipients	(37,008,501.00)	
Arbitrage Payment	(2,018.41)	
COI Expense	(73.37)	
Payments for Employee Services	(244,213.74)	
Payments for Contractual Services	(511,979.51)	
Payment for Grants	(11,097,559.66)	
Other Payments	(10,396.97)	
Net Cash Provided (Used) by Operating Activities		(14,235,015.27)
Cash Flows from Noncapital Financing Activities:		
Bond Issuance Costs Paid	(459,488.12)	
Bond Payments	(2,946,204.17)	
Transfer to Escrow Account	(42,570,519.00)	
Bond Receipts	102,195,911.77	
Transfers Out	(31,393.42)	
Principal Payments on Bonds	(4,320,000.00)	
Interest Payments on Bonds	(4,840,350.24)	
Other Income	504,472.83	
Net Cash Provided (Used) by Noncapital Financing Activities		47,532,429.65
Cash Flows from Investing Activities:		
Interest on Investments	3,810,356.47	
Proceeds from Sale of Investment Securities	33,133,082.90	
Purchase of Investment Securities	(13,328,875.63)	
Net Cash Provided (Used) by Investing Activities		23,614,563.74
Net Increase (Decrease) in Cash and Cash Equivalents		56,911,978.12
Cash and Cash Equivalents at Beginning of Year, Restated		27,792,311.43
Cash and Cash Equivalents at End of Year		$ 84,704,289.55
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)		$ (6,945,987.83)
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Interest Expense	3,990,386.80	
Amortization of Bond Issuance Cost	51,600.78	
Assets: (Increase)/Decrease		
Loans Receivable	(11,857,719.68)	
Accrued Interest Receivable on Loans	8,682.36	
Due from Other Governments	5,436.08	
Due from Federal Governments	15,789.95	
Liabilities: Increase/(Decrease)		
Accounts Payable	211,603.61	
Due To Other Funds	196,621.67	
Accrued Employee Benefits	233.79	
Accrued Liabilities	260.11	
Arbitrage Payable	88,077.09	
Total Adjustments		(7,289,027.44)
Net Cash Provided by Operations		$ (14,235,015.27)

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

SOUTH DAKOTA BOARD OF WATER
AND NATURAL RESOURCES
CLEAN WATER STATE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Authorizing Legislation

The 1988 South Dakota Legislature authorized the State Water Pollution Control Revolving Loan Fund Program, also known as the Clean Water State Revolving Fund (CWSRF) Loan Program. Additionally, the legislature appropriated $1,200,000 and directed the South Dakota Conservancy District to administer the program. The Department of Environment and Natural Resources performs all of the functions of the South Dakota Conservancy District, except for quasi-legislative, quasi-judicial, advisory, and special budgetary functions, which are performed by the Board of Water and Natural Resources acting in its capacity as the Conservancy District. The CWSRF is a low interest loan program to finance the construction of wastewater facilities, storm sewers and non-point source pollution control projects. The program was created by the 1987 Clean Water Act amendments. Funds are provided to the states in the form of capitalization grants awarded annually through the United States Environmental Protection Agency. The federal capitalization grants are matched by state funds at a ratio of 5:1. The Clean Water State Revolving Fund is a part of the State of South Dakota and, as such, the accompanying financial statements are included in the Comprehensive Annual Financial Report of the State of South Dakota.

B. Fund Accounting

The CWSRF is accounted for as an enterprise fund. An enterprise fund is a proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

C. Basis of Accounting

The CWSRF follows the accrual basis of accounting. This method of accounting recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows. The CWSRF follows all Governmental Accounting Standards Board (GASB) pronouncements and those Financial Accounting Standards Boards Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

D. Cash and Cash Equivalents

For purposes of the accompanying statement of net assets and statement of cash flows all highly liquid investments with original maturities of 90 days or less are considered to be cash equivalents.

E. Investments

Investments are reported at fair value. Unrealized gains and losses due to fluctuations in market value are included in investment income.

F. Deferred Charges

Issuance costs, discounts, premiums, and deferred amount of refunding on bonds are amortized using the straight line method over the life of the bonds to which they relate.

G. Reserves

The bond indentures provide that certain reserve accounts be established. The reserves as of June 30, 2012, consist of the following Investment Agreement and are reported as restricted net assets in the financial statements:

- 6.22% MBIA Inc. due August 1, 2017 totaling $95,771

In addition, $3,011.66 is invested in a Money Market Fund described in note 2 below.

H. Restricted Resources

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

I. Revenue and Expense Recognition

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering items in connection with an enterprise fund's principal ongoing operations. The CWSRF records all revenues derived from interest on loans, and federal capitalization grants as operating revenues since these revenues are generated from the CWSRF's daily operations needed to carry out its purpose. Operating expenses include interest expense on bonds, grants and subsidies, and contractual service expenses related to the administration of the CWSRF program.

J. Federal Capitalization Grant

Federal capitalization grants reported as operating income in the statement of revenues, expenses, and changes in fund net assets is a federally funded loan program. Information about the program is as follows:

CFDA Number:	66.458
Federal Agency:	Environmental Protection Agency
Program:	Clean Water State Revolving Fund
State Agency:	Environment & Natural Resources
Expenses:	$202,054,170
Outstanding Loans:	$201,765,731
Current Year	
Administrative Expense:	$288,439
Loan Disbursement:	$37,008,501

K. Accounting Restatement

The CWSRF was allocated investment income from the South Dakota Cash Flow portfolio which was not accrued in the prior year. The amount reported as beginning net assets was increased by $229,899.33 and beginning cash was increased by $203,338.03 on the Statement of Cash Flows.

2. CASH AND INVESTMENTS

Cash and Cash Equivalents consisted of a Goldman Sachs Financial Square Treasury Obligation Fund (money market fund) and the South Dakota Cash Flow Fund. The Goldman Sachs Fund was rated "AAAm" by Standard and Poor's Rating Group. The fund paid less than .01% for the period 7/01/2011– 6/30/2012. The South Dakota Conservancy District Investment Policy adopted pursuant to the Master Trust Indenture authorizes the investment of up to 20 percent of funds in the South Dakota Cash Flow portfolio which is an unrated fund. The fund paid 2.33% for state fiscal year 2012.

Management of the State's internal investment pool is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the audit report of the South Dakota Investment Council, which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Clean Water State Revolving Fund's investments may not be returned. At June 30, 2012, $60,419,860 of guaranteed investment contracts were uninsured and unregistered, with the securities held by its trust department, but not in the CWSRF's name.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The maturities of the investments are listed below.

Investment	Maturities	Fair Value
Guaranteed Investment Contract	7/31/2012	$ 715,824
Guaranteed Investment Contract	8/01/2015	776,152
Guaranteed Investment Contract	8/01/2017	583,032
Guaranteed Investment Contract	8/01/2025	10,046,077
Guaranteed Investment Contract	8/01/2026	48,298,775
		$ 60,419,860

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the CWSRF. The South Dakota State Revolving Fund Master Trust Indenture requires any investment agreement to be with a guarantor whose long-term rating category is no lower than the two highest long-term rating categories. The investment is rated by Moody's Investors Service.

Moody's Rating	Fair Value
A2	$ 776,152
Aa3	715,824
B3*	583,032
Baa1*	58,344,852
Total	$ 60,419,860

* These guarantor's ratings are below the acceptable rating category (i.e., below Moody's Aa3). These investments have been fully collateralized with government securities in accordance with the provisions of Guaranteed Investment Contracts. These fully collateralized investments have a fair value that equates to contract value.

3. LOANS RECEIVABLE

Loans receivable consist of loans made to local governments through a loan agreement. In order for a local government to receive a loan, evidence must be shown that the principal and interest of the loan will be repaid. Therefore, each local government must show the ability to impose utility rates, levy special assessments or collect sales taxes that will generate enough revenue to equal at least 110% of the annual principal and interest on the loan. Loans made from the CWSRF may be made at or below market interest rates and shall be fully amortized within twenty years of the date which is not more than one year following completion of the project financed. Interest rates are reduced for those loans shorter than twenty years.

4. LONG-TERM DEBT

Revenue Bonds

The bond issues outstanding as of June 30, 2012 are as follows:

Issue	Interest Rate	Maturity Through	Principal Balance
Series 1996A			
Term Bonds	5.625%	2017	$ 100,000
Series 2004			
Serial Bonds	2.5%-5.25%	2017	1,305,000
Series 2005			
Serial State Match	3.25%-5.00%	2026	60,000
Serial Leveraged	3.25%-5.00%	2026	1,590,000
Series 2010AB			
Build America Bonds (BABs)			
State Match	4.084%-5.646%	2031	2,430,000
Leveraged	4.084%-5.646%	2031	23,600,000
Tax Exempt Bonds			
State Match	4.084%-5.646%	2030	2,590,000
Leveraged	4.084%-5.646%	2030	25,775,000
Series 2012AB			
Taxable Revenue Bonds			
State Match	0.25%-3.183%	2027	2,825,000
Leveraged	0.25%-3.183%	2027	36,750,000
Revenue Bonds			
State Match	2.00%-5.00%	2030	3,830,000
Leveraged	2.00%-5.00%	2033	46,890,000
Total			147,745,000
Less: Unamortized Deferred Amount of Refunding			(4,713,529)
Add: Unamortized Bond Premium			11,044,049
Total Net of Amortization			$154,075,520

Future bond payments and future interest payments remaining as of June 30, 2012 are as follows:

Year Ended June 30,	Principal	Interest	Total Principal and Interest
2013	$ 6,110,000	$ 5,503,862	$ 11,613 862
2014	7,415,000	5,421,717	12,836,717
2015	7,580,000	5,235,055	12,815,055
2016	7,460,000	5,018,630	12,478,630
2017	7,500,000	4,794,044	12,294,044
2018-2022	37,735,000	20,308,556	58,043,556
2023-2027	42,910,000	12,465,497	55,375,497
2028-2033	31,035,000	4,012,861	35,047,861
TOTAL	$ 147,745,000	$ 62,760,222	$ 210,505,222

Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$ 99,370,000	$ 90,295,000	$ (41,920,000)	$ 147,745,000	$ 6,110,000
Less: Bond Discount	(17,233)		17,233	(0)	0
Add: Bond Premium	3,250,016	8,955,472	(1,161,439)	11,044,049	548,364
Less: Deferred Amount of Refunding	(519,379)	(4,619,551)	425,401	(4,713,529)	(374,390)
Total	102,083,404	94,630,921	(42,638,805)	154,075,520	6,283,974
Compensated Absences	62,407	18,636	(18,402)	62,641	33,388
Long-Term Liabilities	$ 102,145,811	$ 94,649,557	$ (42,657,207)	$ 154,138,161	$ 6,317,362

5. COMMITMENTS

As of June 30, 2012, the CWSRF had loan commitments with political subdivisions worth $54,796,739.

6. RETIREMENT PLAN

The Department of Environment and Natural Resources participates in the South Dakota Retirement System (SDRS) a cost-sharing, multiple employer defined benefit pension plan established to provide retirement, disability, and survivor benefits for employees of the State and its political subdivisions. Authority for establishing, administering and amending plan provisions is found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Employees are required by state statute to contribute 6 percent of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. The right to receive retirement benefits vests after three years of credited service. The CWSRF contributions to the SDRS for the fiscal years ended June 30, 2012, 2011, and 2010 were $13,580.48, $12,422.19, and $13,258.20, respectively, equal to the required contributions each year.

7. ANNUAL AND SICK LEAVE ACCRUAL

All employees earn annual leave. Upon termination, employees are eligible to receive compensation for their accrued annual leave balances. At June 30, 2012, a liability existed for accumulated annual leave calculated at the employee's June 30, 2012 pay rate in the amount of $26,319.27. Employees who have been continuously employed by the State of South Dakota for at least seven years prior to the date of their retirement, voluntary resignation or death will receive payment for one-fourth of their accumulated sick leave balance. This payment is not to exceed the sum of twelve weeks of employee's annual compensation. At June 30, 2012, a liability existed for accumulated sick leave, calculated at each employee's June 30, 2012 pay rate in the amount of $36,321.98. The total leave liability of $62,641.25 at June 30, 2012 is shown as a liability on the balance sheet.

8. RISK MANAGEMENT

The Department of Environment and Natural Resources is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department is uninsured for property loss. The Department participates in the various programs administered by the State of South Dakota. These risk management programs are funded through assessments charged to participating entities. The risk management programs include; 1) coverage for risks associated with automobile liability and general tort liability (including public officials' errors and omissions liability, medical malpractice liability, law enforcement liability, and products liability) through the State's Public Entity Pool for Liability Fund, 2) coverage of employee medical claims through the State's health insurance program, 3) coverage for unemployment benefits through the State's Workers' Compensation Fund, and, 4) coverage for workers' compensation benefits through the State's Workers' Compensation Fund. Financial information relative to the self-insurance funds administered by the State is presented in the State of South Dakota Comprehensive Annual Financial Report.

9. BONDING ACTIVITY IN STATE FISCAL YEAR 2012

On May 23, 2012, the District utilized $2,395,000 of the Series 2012B Bonds, combined with other funds on hand, to refund $2,890,000 of the Series 2001 Bonds. The Series 2012B Bonds had an average interest rate of 2.8 percent. The net proceeds of the refunding portion of $2,667,553 (after payment of $14,663 in underwriting fees and other issuance costs) plus $278,651 were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded portion of the Series 2001 Bonds. As a result, the refunded portion of the Series 2001 Bonds is considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $130,179. This difference is being credited through fiscal year 2023 using the effective-interest method. The SD Conservancy District completed the current refunding for a net economic gain of $799,041. The difference between the cash flows of the refunded bonds and the refunding bonds is a $683,379 reduction in debt service payments.

On May 23, 2012, the District utilized $2,190,000 of the Series 2012A Bonds, combined with other funds on hand, to refund $2,280,000 of the Series 2004 Bonds. The Series 2012A Bonds had an average interest rate of 2.4 percent. The net proceeds of the refunding portion of $2,169,894 (after payment of $19,932 in underwriting fees and other issuance costs) plus $325,000 were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded portion of the Series 2004 Bonds. As a result, the refunded portion of the Series 2004 Bonds is considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $411,286. This difference is being credited through fiscal year 2017 using the effective-interest method. The SD Conservancy District completed the advance refunding for a net economic gain of $26,688. The difference between the cash flows of the refunded bonds and the refunding bonds is a $25,983 addition in debt service payments.

On May 23, 2012, the District utilized $37,385,000 of the Series 2012A Bonds to refund $32,430,000 of the Series 2005 Bonds. The Series 2012A Bonds had an average interest rate of 2.4 percent. The net proceeds of the refunding portion of $37,129,421 (after payment of $254,990 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded portion of the Series 2005 Bonds. As a result, the refunded portion of the Series 2005 Bonds is considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,040,446. This difference is being credited through fiscal year 2027 using the effective-interest method. The SD Conservancy District completed the advance refunding for a net economic gain of $625,165. The difference between the cash flows of the refunded bonds and the refunding bonds is a $1,010,045 reduction in debt service payments.