

***JAMES RIVER WATER  
DEVELOPMENT DISTRICT  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2015***

***JAMES RIVER WATER DEVELOPMENT DISTRICT  
DISTRICT OFFICIALS  
DECEMBER 31, 2015***

**Board of Directors:**

**Randy Stanley, Chairman  
Dan Klimisch, Vice-Chairman  
Robert Braun, Secretary  
Gary Boomsma, Treasurer  
Clinton Bauer  
Dan Koupal  
Carol Millian  
Mike Wiese  
Frank Amundson**

**Manager:**

**David Bartel**

**CFO & Associate Manager**

**Judy Smoyer**

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***INDEPENDENT AUDITOR'S 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***

**Board of Directors  
James River Water Development District  
Beadle County, South Dakota**

We have audited, in accordance with the 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 the major fund of James River Water Development District, Beadle County, South Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise James River Water Development District's basic financial statements and have issued our report thereon dated June 27, 2016.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered James River Water Development 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 James River Water Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of James River Water Development District's internal control.

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether James River Water Development District's 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.

*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 results 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota  
June 27, 2016

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
SCHEDULE OF CURRENT AND PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015**

**Schedule of Prior Audit Findings**

**The prior audit report contained no written audit comments.**

**Schedule of Current Audit Findings and Questioned Costs**

**Current Federal Audit Findings:**

**There are no written current federal compliance audit findings to report.**

**Current Other Audit Findings:**

**There are no written current other audit findings to report.**



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## ***INDEPENDENT AUDITOR'S REPORT***

**Board of Directors  
James River Water Development District  
Beadle County, South Dakota**

**We have audited the accompanying financial statements of the governmental activities, and each major fund of James River Water Development District, Beadle County, South Dakota, as of December 31, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the James River Water Development 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.**

### ***Auditor's Responsibility***

**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 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 James River Water Development District, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matter*

*Adoption of New Accounting Standard*

As described in Note 13 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, and Statement No. 71, Pension Transaction for Contributions Made Subsequent to the Measurement Date. As discussed in Note 12 to the financial statements, the District has retroactively restated the previously reported Net Position in accordance with these statements. Our opinions are 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 (MD&A) on pages 6 through 12, the Budgetary Comparison Schedule on pages 35 through 36, the Schedule of the Proportionate Share of the Net Pension Liability (Asset) on page 37, and the Schedule of Water District Contributions on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2016 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions or 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 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 in considering the District's internal control over financial reporting and compliance.



Huron, South Dakota  
June 27, 2016

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

This section of James River Water Development District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on December 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- During the year, the District's revenues generated from taxes and other revenues of the governmental programs were \$97,541 less than the \$1,570,620 governmental-type program expenditure.
- The total tax levy for 2015 remained at \$958,893. The District was eligible to increase the tax levy by growth and CPI but based on the needs of the District for 2015, the District elected to forgo the increases.
- The District does participate in projects with the State of South Dakota. Although we are partners, these funds never pass through the District. The State funds are reimbursed to the District.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- James River Water Development District does not have any Proprietary or Fiduciary fund statements

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

Figure A-1 summarizes the major features of the District’s financial statements, including the portion of the District government covered and the types of information contained. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

<b>Figure A-1</b>		
<b>Major Features of the District’s Government-Wide and Fund Financial Statements</b>		
	<i>Government-wide Statements</i>	<u><i>Fund Statements</i></u> <i>Governmental Funds</i>
<b>Scope</b>	<b>Entire District government (except fiduciary funds and the fiduciary component units)</b>	<b>All of the activities of the District because they do not have any proprietary or fiduciary activities.</b>
<b>Required Financial Statements</b>	<ul style="list-style-type: none"> <li>• <b>Statement of Net Position</b></li> <li>• <b>Statement of Activities</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Balance Sheet</b></li> <li>• <b>Statement of Revenues, Expenditures and Changes in Fund Balances</b></li> </ul>
<b>Accounting Basis and Measurement Focus</b>	<b>Accrual accounting and economic resources focus</b>	<b>Modified accrual accounting and current financial resources focus</b>
<b>Type of Asset/Liability Information</b>	<b>All assets and liabilities, both financial and capital, and short-term and long-term</b>	<b>Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included</b>
<b>Type of Inflow/Outflow Information</b>	<b>All revenues and expenses during year, regardless of when cash is received or paid</b>	<b>Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter</b>

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**Government-Wide Statements**

The government-wide statement report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statement report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and changes to the state grant agreement.
- The government-wide financial statements of the District are reported in one category:
- Governmental Activities - This category includes the District's general, project assistance, state grant funds, and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has one kind of fund:

- Governmental Funds – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's combined net position decreased as follows:

**Table A-1  
JAMES RIVER WATER DEVELOPMENT DISTRICT  
Statement of Net Position**

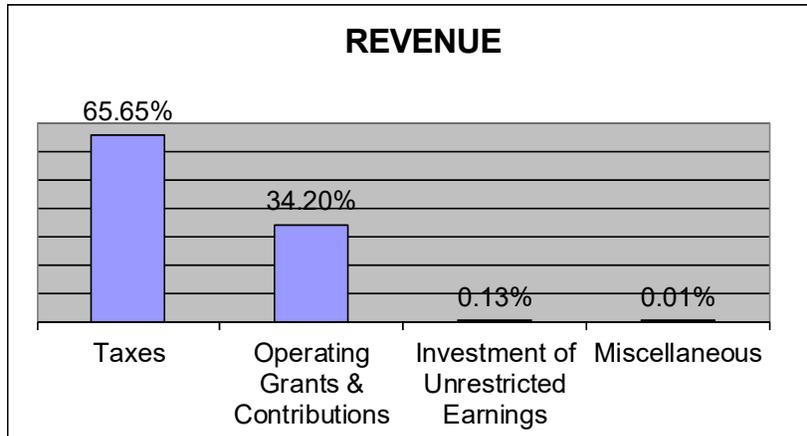
	<i>Governmental Activities</i>	
	<i>2015</i>	<i>2014</i>
<b>Current and Other Assets</b>	<b>\$ 1,984,794</b>	<b>\$ 2,043,010</b>
<b>Capital Assets</b>	<b>28,376</b>	<b>34,219</b>
<b>Total Assets</b>	<b><u>2,013,170</u></b>	<b><u>2,077,229</u></b>
<b>Pension Related Deferred Outflows</b>	<b><u>76,387</u></b>	<b><u>--</u></b>
<b>Other Liabilities</b>	<b><u>145,103</u></b>	<b><u>147,065</u></b>
<b>Total Liabilities</b>	<b><u>145,103</u></b>	<b><u>147,065</u></b>
<b>Pension Related Deferred Inflows</b>	<b><u>62,825</u></b>	<b><u>--</u></b>
<b>Net Position:</b>		
<b>Net Investment in Capital Assets</b>	<b>28,376</b>	<b>34,219</b>
<b>Restricted for SDRS Pension Purposes</b>	<b>56,140</b>	<b>49,008</b>
<b>Unrestricted</b>	<b><u>1,797,113</u></b>	<b><u>1,895,945</u></b>
<b>Total Net Position</b>	<b><u>\$ 1,881,629</u></b>	<b><u>\$ 1,979,172</u></b>
<b>Beginning Net Position</b>	<b><u>\$ 1,979,172</u></b>	<b><u>\$ 1,553,349</u></b>
<b>Increase (Decrease) in Net Position</b>	<b><u>\$ (97,543)</u></b>	<b><u>\$ 425,823</u></b>
<b>Percentage of Increase (Decrease) in Net</b>	<b><u>-4.93%</u></b>	<b><u>27.41%</u></b>

The Statement of Net Position reports all financial and capital resources. The Statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liability of the District, consisting of compensated absences payable, has been reported in this manner on the Statement of Position. The difference between the District's assets and liabilities is its net position.

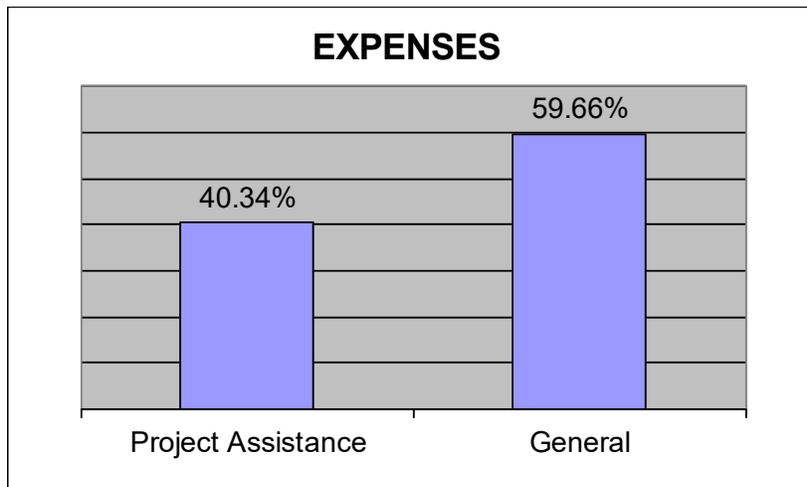
**JAMES RIVER WATER DEVELOPMENT DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**Changes in Net Position**

The District's total revenues totaled \$1,473,079. About 66% of the District's revenue comes from property and other taxes, with another 34% coming from operating grants and contributions.



The total cost of all programs and services was \$1,570,620. The District's expenses cover mainly general administrative expense and project assistance. The District also sponsors grant funds from the South Dakota Water and Environmental Fund. The State grant agreement requires local match of any state funds expended.



**JAMES RIVER WATER DEVELOPMENT DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**GOVERNMENTAL ACTIVITIES**

**Table A-2  
JAMES RIVER WATER DEVELOPMENT DISTRICT  
Changes in Net Position**

	<i>Total Governmental Activities</i>		<i>Percentage Change</i>
	<i>2015</i>	<i>2014</i>	
<i>Revenues</i>			
Operating Grants and Contributions	\$ 503,854	\$ 67,165	650.17%
<i>General Revenues</i>			
Taxes	967,239	969,086	-0.19%
Revenue Local Sources	120	128	-6.25%
Unrestricted Investment Earnings	1,866	1,640	13.78%
<i>Total Revenues</i>	<u>1,473,079</u>	<u>1,038,019</u>	<u>41.91%</u>
<i>Expenses</i>			
General	937,042	578,692	61.92%
Project Assistance	633,577	82,512	667.86%
<i>Total Expenses</i>	<u>1,570,619</u>	<u>661,204</u>	<u>137.54%</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ (97,540)</u>	<u>\$ 376,815</u>	<u>-125.89%</u>
<i>Ending Net Position</i>	<u>\$ 1,881,632</u>	<u>\$ 1,979,172</u>	<u>-4.93%</u>

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The general fund balance decreased by \$108,928. Total revenues were up because state grant revenue increased.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the Water District can revise the budget. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary.
- Increases in appropriation line items, primarily by contingency transfer, to prevent budget overruns.

There were no significant budget changes during the year.

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**CAPITAL ASSET ADMINISTRATION**

- The District had invested \$73,153 in capital assets. The accumulated depreciation on this property totals \$44,777 at December 31, 2015.

Capital Asset purchases were \$2,993 for a new printer.

**LONG-TERM DEBT**

At year-end the District had \$25,819 in long-term obligations for compensated absences. The District is liable for the payment of unused sick and vacation leave upon leaving the District, but both only cumulate up to so many hours.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The revenues of the District are generated from a tax levy. The District had an annual tax levy of \$958,893 for 2015. By law the District can increase its budget from the Consumer Price Index (adjustment for inflation) and property taxes from new construction and growth in the Counties tax base.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the James River Water Development District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the James River Water Development District Business Office, PO Box 849, Huron, SD 57350.

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 1,708,026
Taxes receivable	19,025
Other assets	215,165
Net pension asset	42,578
Capital assets:	
Other capital assets, net of depreciation	<u>28,376</u>
<b>TOTAL ASSETS</b>	<u><u>2,013,170</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pension related deferred outflows	<u>76,387</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u><u>\$ 2,089,557</u></u>
<b>LIABILITIES:</b>	
Accounts payable	\$ 119,282
Noncurrent liabilities:	
Due within one year	12,000
Due in more than one year	<u>13,819</u>
<b>TOTAL LIABILITIES</b>	<u>145,101</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Pension related deferred inflows	<u>62,825</u>
<b>NET POSITION:</b>	
Net investment in capital assets	28,376
Restricted for SDRS pension purposes	56,140
Unrestricted	<u>1,797,115</u>
<b>TOTAL NET POSITION</b>	<u>1,881,631</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>	<u><u>\$ 2,089,557</u></u>

*The accompanying Notes to Financial Statements are  
an integral part of this statement.*

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<i>FUNCTIONS / PROGRAMS</i>	<i>EXPENSES</i>	<i>OPERATING GRANTS AND CONTRIBUTIONS</i>	<i>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT</i>
<i>Primary Government:</i>			
<i>Governmental Activities:</i>			
General	\$ 937,042	\$ --	\$ (937,042)
Project assistance	633,578	503,854	(129,724)
<b>Total Governmental Activities</b>	<b>\$ 1,570,620</b>	<b>\$ 503,854</b>	<b>(1,066,766)</b>
<i>GENERAL REVENUES</i>			
<i>Taxes:</i>			
Property taxes			967,239
<i>Revenue from Local Sources:</i>			
Other			120
Unrestricted Investment Earnings			1,866
<b>Total General Revenues</b>			<b>969,225</b>
<i>Change in Net Position</i>			<i>(97,541)</i>
<i>Net Position-Beginning</i>			1,930,164
<i>Prior Period Adjustment (Note 12)</i>			49,008
<i>Adjusted Net Position-Beginning of year</i>			1,979,172
<i>Net Position-Ending</i>			<b>\$ 1,881,631</b>

*The accompanying Notes to Financial Statements are  
an integral part of this statement.*

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
BALANCE SHEET  
DECEMBER 31, 2015**

	<u>GENERAL FUND</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 1,708,026
Taxes receivable-current	5,718
Taxes receivable-delinquent	13,307
Due from other governments	213,278
Prepays	<u>1,887</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,942,216</u></b>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES:</b>	
<i>Liabilities:</i>	
Accounts payable	\$ <u>119,282</u>
<i>Total Liabilities</i>	<u>119,282</u>
<i>Deferred inflows of resources:</i>	
Deferred inflow of resources - taxes	<u>19,023</u>
<i>Total Deferred Inflows of resources</i>	<u>19,023</u>
<i>Fund Balances:</i>	
Nonspendable	1,887
Assigned - project assistance	1,132,901
Unassigned	<u>669,123</u>
<b>Total Fund Balances</b>	<b><u>1,803,911</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<b><u>\$ 1,942,216</u></b>

*The accompanying Notes to Financial Statements are  
an integral part of this statement.*

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

<i>Total Fund Balances - Governmental Fund</i>		<b>\$ 1,803,911</b>			
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>					
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the fund.		42,578			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	The cost of capital assets are Accumulated depreciation is Net	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right;">\$ 73,153</td> </tr> <tr> <td style="text-align: right;"><u>(44,777)</u></td> </tr> <tr> <td style="text-align: right;">28,376</td> </tr> </table>	\$ 73,153	<u>(44,777)</u>	28,376
\$ 73,153					
<u>(44,777)</u>					
28,376					
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the fund.		76,387			
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.	Deferred inflow of resources	19,023			
Long-term liabilities, including accrued leave payable are not due and payable in the current period and therefore are not reported in the fund.	Accrued leave payable (vacation and sick leave)	(25,819)			
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the fund.		<u>(62,825)</u>			
<i>Net Position-Government Activities</i>		<b><u><u>\$ 1,881,631</u></u></b>			

*The accompanying Notes to Financial Statements are an integral part of this statement.*

**JAMES RIVER WATER DEVELOPMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<i>GENERAL FUND</i>
<i>Revenues:</i>	
<i>Revenue from Local Sources:</i>	
<i>Taxes:</i>	
Ad valorem taxes	\$ 937,443
Prior years' ad valorem taxes	17,345
Other	8,515
Penalties and interest on taxes	2,179
<i>Revenue from Local Governmental</i>	
Revenue in lieu of taxes	120
<i>Earnings on Investments and Deposits</i>	1,866
<i>Revenue from State Sources:</i>	
<i>Grants-in-aid:</i>	
Restricted grants-in-aid	503,854
<i>Total Revenue</i>	1,471,322
<i>Expenditures:</i>	
<i>General:</i>	
Board of directors	25,041
Administration and technical assistance	246,229
Professional fees	--
Project assistance	633,578
State grant fund	672,409
Capital outlay	2,993
<i>Total Expenditures</i>	1,580,250
<i>Net Change in Fund Balance</i>	(108,928)
<i>Fund Balance - Beginning</i>	1,912,839
<i>Fund Balance - Ending</i>	\$ 1,803,911

*The accompanying Notes to Financial Statements are  
an integral part of this statement.*

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

*Total Net Change in Fund Balances - Governmental Fund* \$ (108,928)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures.	Capital Outlay	\$ 2,993	
However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.	Depreciation Expense	<u>(8,836)</u>	(5,843)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	Prior Year	(17,266)	
	Current Year	<u>19,023</u>	1,757

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	Prior Year	34,160	
	Current Year	<u>(25,819)</u>	8,341

Changes in the pension related deferred outflows /inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>7,132</u>
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*Change in Net Position of Governmental Activities* \$ (97,541)

*The accompanying Notes to Financial Statements are an integral part of this statement.*

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**a. Financial reporting Entity:**

The reporting entity of James River Water Development District consists of the primary government (which includes one fund) that makes up the legal entity.

The fund included in this report is controlled by or dependent upon the James River Water Development District Board of Directors.

The District has no component units as defined by GASB 14.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments.

**b. Basis of Presentation:**

**Government-wide Statements:**

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish the governmental activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenue include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:**

Fund financial statements of the reporting entity are organized into a fund. The fund is accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**b. Basis of Presentation: (continued)**

**Fund Financial Statements: (continued)**

- 3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.**
- 4. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and**
- 5. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or**
- 6. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.**

The funds of the District financial reporting entity are described below:

**Governmental Funds:**

**General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the district. The General Fund is always a major fund.**

**c. Measurement Focus and Basis of Accounting:**

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

**Measurement Focus:**

**Government-Wide Financial Statements:**

**In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.**

**Fund Financial Statements:**

**In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental fund types.**

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**c. Measurement Focus and Basis of Accounting: (continued)**

**Basis of Accounting:**

**Government-Wide Financial Statements:**

In the government-wide, Statement of Net Position and Statement of Activities, governmental activities are presented using accrual basis of accounting. Revenues and related assets are recorded when earned and expenses and related liabilities are recorded when an obligation has incurred.

**Fund Financial Statements:**

All governmental funds types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the District is thirty days.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

**d. Capital Assets:**

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

d. **Capital Assets:** *(continued)*

**Government-Wide Financial Statements:**

The total December 31, 2015 balance of capital assets for governmental activities were all valued by the original costs. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<i>Capitalization Threshold</i>	<i>Depreciation Method</i>	<i>Estimated Useful Life</i>
Machinery and equipment	\$500	straight-line	5-10 years

**Fund Financial Statements:**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition.

e. **Program Revenues:**

Program revenues derive directly from the program itself or from parties other than the District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. **Charges for services** – These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. **Program-specific operating grants and contributions** – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. **Program-specific capital grants and contributions** – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**f. Long-term Liabilities:**

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operation and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due.

**g. Deposits and Investments:**

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund share, or similar investments in external investment pools, are also considered to cash equivalents.

**h. Equity Classifications:**

**Government-Wide Statements:**

Equity is classified as net position and is displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**Fund Financial Statements:**

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable”, “Restricted”, “Committed”, “Assigned” and “Unassigned” components.

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

i. **Application of Net Position:**

It is the District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

j. **Fund Balance Classification Procedures:**

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- **Nonspendable** – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- **Restricted** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- **Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the District Board.
- **Unassigned** – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District does not have a formal minimum fund balance policy.

k. **Use of Estimates:**

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

*JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015*

**2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:**

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**Deposits** – The District’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank’s public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost plus interest, if the account is of the add-on type.

**Investments** – In general, SDCL 4-5-6 permits District funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

**Credit Risk** – State law limits eligible investments for the District, as discussed above. The District does not have any investments.

**Custodial Credit Risk - Deposits** – The risk that, in the event of a depository failure, the Districts deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2015 none of the District’s deposits in financial institutions were exposed to custodial credit risk.

**Custodial Credit Risk - Investments** – The risk that, in the event of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

**Concentration of Credit Risk** – The District places no limit on the amount that may be invested in any one issuer. All of the Districts investments are in a savings account.

**Interest Rate Risk** – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District’s policy is to credit all income from investments to the fund making the investment.

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**3. PROPERTY TAXES:**

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The District is permitted by several state statutes to levy taxes, not to exceed thirty cents per \$1,000 of taxable valuation on taxable real property in the District.

**4. RECEIVABLES AND PAYABLES:**

The district aggregates receivables and payables in the financial statements. Amounts due from other governments include reimbursements for various programs. These amounts include \$213,278 due from the state government.

There payables in the amount of \$119,283 as of December 31, 2015.

**5. CHANGE IN CAPITAL ASSETS:**

A summary of changes in capital assets for the fiscal year ended December 31, 2015 is as follows:

	<u>Balance 12/31/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/15</u>
Governmental Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 70,123	\$ 3,030	\$ --	\$ 73,153
Less accumulated depreciation for:				
Machinery and equipment	35,941	8,836	--	44,777
<i>Total Capital Assets Being Depreciated, Net</i>	<u>34,182</u>	<u>(5,806)</u>	<u>--</u>	<u>28,376</u>
<i>Governmental Activity Capital Assets, Net</i>	<u>\$ 34,182</u>	<u>\$ (5,806)</u>	<u>\$ --</u>	<u>\$ 28,376</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	<u>\$ 8,836</u>

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**6. DEFERRED INFLOWS OF RESOURCES:**

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

**7. LONG-TERM DEBT:**

	<i>Balance 12/31/2014</i>	<i>Balance Increases</i>	<i>Balance Decreases</i>	<i>Balance 12/31/2015</i>	<i>Due Within One Year</i>
Governmental Activities:					
Compensated absences	\$ 34,160	\$ 4,511	\$ 12,852	\$ 25,819	\$ 12,000

Compensated Absences is comprised of annual leave and sick leave earned by the employee. Upon termination, employees are entitled to receive compensation for their accrued balances.

**8. LEASES:**

The District has a lease agreement with Nordby Rentals for office space. The District pays \$13,054 annually until the agreement expires April 1, 2023.

The District has a lease agreement with Nordby Rentals for storage sheds. The District pays \$1,560 annually until the agreement automatically renews every year.

Minimum lease payments for the operating leases at December 31, 2015 are as follows:

2016	\$ 17,539
2017	14,614
2018	14,614
2019	14,614
2020	14,614

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**9. RISK MANAGEMENT:**

The District 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. During the period ended December 31, 2015, the District managed its risks as follows:

**Health Insurance** -- The District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**Unemployment Benefits** -- The District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

**Liability Insurance** -- The District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**Workers' Compensation** -- The District purchases liability insurance for workers' compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**10. REVERSIONARY INTEREST:**

The State of South Dakota has the power to, at any time, dissolve the District. In that event, all assets become property of the State.

**11. STATE GRANT FUNDS:**

The District sponsors grant funds from the South Dakota Department of Environment and Natural Resources. The following is a list of state-sponsored funds and cash disbursements made.

	<u>Original Grant</u>	<u>Grant Disbursements</u>	<u>Current Year Disbursements</u>	<u>Grant Balance 12/31/2015</u>
South Central Watershed Project	\$ 1,554,800	\$ --	\$ 390,949	\$ 1,163,851
Lower James River Assessment Project - Segment III	355,834	242,929	112,905	--
	<u>\$ 1,910,634</u>	<u>\$ 242,929</u>	<u>\$ 503,854</u>	<u>\$ 1,163,851</u>

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**12. PRIOR PERIOD ADJUSTMENTS:**

The District implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of January 1, 2015 as follows:

Net position January 1, 2015, as previously reported	\$ 1,930,164
 Restatement for pension accounting:	
Net pension asset - pension related to deferred outflows of resources	49,008
<i>Net position January 1, 2015, as restated</i>	<b>\$ 1,979,172</b>

**13. PENSION PLAN:**

**a. Plan Information:**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**b. Benefits Provided:**

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee’s final 3-year average compensation times the employee’s years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee’s final average salary.

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

13. *PENSION PLAN: (continued)*

b. *Benefits Provided:* (continued)

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
  - 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
  - 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

All benefits except those depending on the Member’s Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

c. *Contributions:*

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The District’s share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$12,126, \$10,997, and \$10,861, respectively, equal to the required contributions each year.

Proportionate share of net position restricted for pension benefits	\$ 1,081,856
Less proportionate share of total pension liability	<u>1,039,278</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (42,578)</u></u>

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

13. *PENSION PLAN: (continued)*

c. *Contributions: (continued)*

For the year ended December 31, 2015, the District recognized pension expense (revenue) of (\$7,133). At December 31, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 8,718	\$ --
Changes in assumption	59,772	--
Net difference between projected and actual earnings on pension plan investments	--	62,825
Changes in proportion and difference between District contributions and proportionate share of contributions	--	--
District contributions subsequent to the measurement date	<u>6,702</u>	<u>--</u>
<b>TOTAL</b>	<b><u>\$ 75,192</u></b>	<b><u>\$ 62,825</u></b>

\$6,702 reported as deferred outflow 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 ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<i>Year Ended December 31,</i>	
2016	\$ 2,018
2017	2,018
2018	(5,428)
2019	<u>7,058</u>
<b>TOTAL</b>	<b><u>\$ 5,666</u></b>

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

13. *PENSION PLAN: (continued)*

d. Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment rate of return of pension	7.25 percent through 2016 and 7.50 percent thereafter, net plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-term Expected Real Rate of Return</i>
Global equity	61.0%	4.5%
Fixed income	27.0%	1.8%
Real estate	10.0%	5.2%
Cash	2.0%	0.0%
<i>TOTAL</i>	<u>100.0%</u>	

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**13. PENSION PLAN: (continued)**

**e. Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. 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 (asset).

**f. Sensitivity of Liability (Asset) to Changes in the Discount Rate:**

The following presents the District's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
District's proportionate share of the net pension liability (asset)	\$ 107,169	\$ (42,578)	\$ (164,684)

**g. Pension Plan Fiduciary Net Position:**

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

**h. Payables to the Pension Plan:**

No payables were reported to the defined benefit plan at end of year.

***REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MD&A***

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
DECEMBER 31, 2015**

	<i>BUDGETED AMOUNTS</i>		<i>ACTUAL AMOUNTS BUDGETARY BASIS</i>	<i>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</i>
	<i>ORIGINAL</i>	<i>FINAL</i>		
<i>Revenues:</i>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 960,093	\$ 960,093	\$ 937,443	\$ (22,650)
Prior years' ad valorem taxes	--	--	17,345	17,345
Other taxes	2,500	2,500	8,515	6,015
Penalties and interest on taxes	1,500	1,500	2,179	679
<i>Revenue from Local Governmental</i>				
Units other than LEAs:	--	--	120	120
Revenue in lieu of taxes				--
<i>Earnings on Investments and Deposits</i>				
	1,500	1,500	1,866	366
<i>Revenue from State Sources:</i>				
<i>Grants-in-aid:</i>				
Restricted grants-in-aid	--	--	503,854	503,854
<b>Total Revenue</b>	<b>965,593</b>	<b>965,593</b>	<b>1,471,322</b>	<b>505,729</b>
<i>Expenditures:</i>				
<i>General</i>				
Board of directors	34,377	34,377	25,041	9,336
Administration and technical assistance	266,142	266,142	249,222	16,920
Professional fees	7,000	7,000	--	7,000
Project assistance	603,074	603,074	633,578	(30,504)
State grant fund expenditures	677,226	677,226	672,409	4,817
Contingency	50,000	50,000	--	50,000
Transfers	--	--	--	--
<b>Total Expenditures</b>	<b>1,637,819</b>	<b>1,637,819</b>	<b>1,580,250</b>	<b>57,569</b>
<b>Net Change in Fund Balance</b>	<b>(672,226)</b>	<b>(672,226)</b>	<b>(108,928)</b>	<b>563,298</b>
<b>Fund Balance - Beginning</b>	<b>1,912,839</b>	<b>1,912,839</b>	<b>1,912,839</b>	<b>--</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,240,613</b>	<b>\$ 1,240,613</b>	<b>\$ 1,803,911</b>	<b>\$ 563,298</b>

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2015**

**1. BUDGETS AND BUDGETARY ACCOUNTING:**

The District followed these procedures in establishing the budgetary data reflected in the financial statements:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in letter d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total district budget and may be transferred by resolution of the board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- e. Unexpended appropriations lapse at year-end unless encumbered by resolution of the governing board.
- f. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund.
- g. Formal budgetary integration is employed as a management control device during the year for the General Fund.
- h. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**2. GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES:**

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate.

**JAMES RIVER WATER DEVELOPMENT DISTRICT**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**SOUTH DAKOTA RETIREMENT SYSTEM**  
**DECEMBER 31, 2015**

	<i>2015</i>
District's proportion of the net pension liability (asset)	0.010039%
District's proportionate share of net pension liability (asset)	\$ (42,578)
District's covered-employee payroll	\$ 218,627
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee	-19.48%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.10%

**JAMES RIVER WATER DEVELOPMENT DISTRICT  
SCHEDULE OF WATER DISTRICT CONTRIBUTIONS  
SOUTH DAKOTA RETIREMENT SYSTEM  
DECEMBER 31, 2015**

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Contractually required contribution	\$ 12,126	\$ 10,997
Contributions in relation to the contractually required contribution	<u>(12,126)</u>	<u>(10,997)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 202,107	\$ 183,290
Contributions as a percentage of covered-employee payroll	6.00%	6.00%