

MEETING DATE: March 28, 2019

TITLE: Reivew and Acceptance of 2018 Annual Financial Audit

RESOLUTION NUMBER: 19-033

PREPARED BY: Cathy Reynolds

E-MAIL: creynolds@minnehahacreek.org

TELEPHONE: 952-641-4503

REVIEWED BY: Administrator Counsel Program Mgr. (Name): _____
 Board Committee Engineer Other

WORKSHOP ACTION:

<input type="checkbox"/> Advance to Board mtg. Consent Agenda.	<input type="checkbox"/> Advance to Board meeting for discussion prior to action.
<input type="checkbox"/> Refer to a future workshop (date):_____	<input type="checkbox"/> Refer to taskforce or committee (date):_____
<input type="checkbox"/> Return to staff for additional work.	<input type="checkbox"/> No further action requested.
<input checked="" type="checkbox"/> Other (specify): Acceptance at the March 28, 2019 Board Meeting	

PURPOSE or ACTION REQUESTED:

Board acceptance of the 2018 Annual Financial Report.

SUMMARY:

Pursuant to Minnesota Statutes §§6.756 and 103D.355, subdivision 1, the Minnehaha Creek Watershed District contracted with a private certified public accountant, Redpath and Company, to complete an annual audit of 2018 books and accounts.

The 2018 Annual Financial Report will be presented by Redpath representatives to the MCWD Executive Committee at the March 28, 2019 meeting and to the Board at the following Board meeting. A copy of the audit is attached to this RBA.

Following MCWD Board acceptance, and pursuant to Minnesota Rules 8410.0150, subpart 1.A, the audit will be filed with the state auditor’s office and the Minnesota Board of Water and Soil Resources as required by state law. In compliance with financing obligations for the 325 Blake Road property, a copy of the audit will be transmitted to Wells Fargo. In addition, copies will be transmitted to Hennepin and Carver Counties.

ATTACHMENTS:

1. 2018 Annual Financial Report

RESOLUTION

RESOLUTION NUMBER: 19-033

TITLE: **Review and Acceptance of 2018 Annual Financial Audit**

- WHEREAS, pursuant to Minnesota Statutes §§6.756 and 103D.355, and Minnesota Rules 8410.0150, an annual financial audit by a certified public accountant must be completed of the books and accounts of the Minnehaha Creek Watershed District;
- WHEREAS, in accordance with those statutes and rules, the annual audit must be submitted to the state auditor's office and the Minnesota Board of Water and Soil Resources;
- WHEREAS, the District's financing obligations for the purchase of the 325 Blake Road property require that it transmit its annual audit to Wells Fargo, and the District also transmits the audit to Hennepin and Carver Counties;
- WHEREAS, Redpath and Company, a certified public accountant, has prepared an audit of the District's financial operations and condition for fiscal (calendar) year 2018, titled "Annual Financial Report (December 31, 2018)";
- WHEREAS, the audit has reported internal control findings related to District charge account and payroll processing; and
- WHEREAS, the District Administrator, the Treasurer, and the District Board of Managers have reviewed the audit, and found management responses to internal control findings acceptable; and
- WHEREAS, the audit was presented to the Board Executive Committee and the full Board of Managers on March 28, 2019;

NOW, THEREFORE, BE IT RESOLVED that the Minnehaha Creek Watershed District Board of Managers hereby accepts the 2018 Annual Financial Report, and directs the District Administrator to transmit it to the Minnesota State Auditor, the Minnesota Board of Water and Soil Resources, Hennepin County, Carver County, and Wells Fargo.

Resolution Number 19-XXX was moved by Manager _____, seconded by Manager _____.
Motion to adopt the resolution ___ ayes, ___ nays, ___ abstentions. Date: _____.

Secretary

Date: _____

MINNEHAHA CREEK WATERSHED DISTRICT

ANNUAL FINANCIAL REPORT

December 31, 2018

DRAFT 3/18/19

DRAFT 318/19

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MINNEHAHA CREEK WATERSHED DISTRICT
TABLE OF CONTENTS

	<u>Ref No.</u>	<u>Page No.</u>
INTRODUCTORY SECTION		
Organization		3
FINANCIAL SECTION		
Independent Auditor's Report		7
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	Statement 1	12
Statement of Activities	Statement 2	13
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Statement 3	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	Statement 4	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	Statement 5	16
Notes to Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule - Management Planning Fund	Statement 6	38
Schedule of Proportionate Share of Net Pension Liability - General Employees Retirement Fund	Statement 7	39
Schedule of Pension Contributions - General Employees Retirement Fund	Statement 8	40
Notes to RSI		41
SUPPLEMENTARY FINANCIAL INFORMATION		
Management Planning Fund: Schedule of Revenues and Expenditures by Program/Project	Exhibit 1	44
OTHER INFORMATION SECTION - UNAUDITED		
Market Values by Watershed	Exhibit 2	52
Schedule of Expenditures - Land Conservation and Cold Storage	Exhibit 3	54
OTHER REPORTS		
Report on Internal Control		59
Minnesota Legal Compliance Report		61

DRAFT 31819

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INTRODUCTORY SECTION

DRAFT 3/18/19

DRAFT 318/19

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Board of Managers:

Term Expires

Sherry Davis White - President

March, 2021

Brian Shekleton - Vice President

March, 2019

Richard Miller - Treasurer

March, 2020

Kurt Rogness - Secretary

March, 2021

Bill Becker

March, 2019

Jessica Loftus

March, 2020

Bill Olson

March, 2019

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DRAFT 318/19

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FINANCIAL SECTION

DRAFT 3/18/19

DRAFT 318/19

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Managers of the
Minnehaha Creek Watershed District
Minnetonka, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Minnehaha Creek Watershed District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Minnehaha Creek Watershed District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 Minnehaha Creek Watershed District, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Minnehaha Creek Watershed's 2017 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated April 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of proportionate share of net pension liability, and schedule of pension contributions on pages 38 through 41 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Minnehaha Creek Watershed District's basic financial statements. The introductory section, supplementary financial information, and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and other information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

_____, 2019

DRAFT 318/19

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BASIC FINANCIAL STATEMENTS

DRAFT 3/18/19

MINNEHAHA CREEK WATERSHED DISTRICT

STATEMENT OF NET POSITION

Statement 1

December 31, 2018

With Comparative Totals For December 31, 2017

	Primary Government	
	Governmental Activities	
	2018	2017
Assets:		
Cash and investments	\$16,374,594	\$17,632,782
Accounts receivable - net	8,136	1,000
Due from other governments	1,526,054	86,260
Mortgage receivable	302,247	310,166
Prepaid item	106,659	39,089
Property taxes receivable:		
Delinquent	89,160	70,572
Due from county	71,252	94,426
Land held for resale	850,000	850,000
Capital assets - net:		
Depreciable	2,963,923	2,809,531
Nondepreciable	30,328,172	30,212,784
Total assets	<u>52,620,197</u>	<u>52,106,610</u>
Deferred outflows of resources:		
Related to pensions	<u>254,669</u>	<u>493,638</u>
Liabilities:		
Accounts payable	468,160	246,517
Salaries payable	27,007	55,258
Due to other governments	1,097,362	1,144,817
Unearned revenue	522,250	546,587
Contracts payable	110,320	57,894
Rental deposits payable	-	50,340
Surety deposits payable	1,893,566	1,379,024
Accrued interest payable	112,541	123,948
Unamortized loan premiums	447,841	481,668
Compensated absences payable:		
Due within one year	8,833	13,917
Due in more than one year	128,190	133,935
Loans payable:		
Due within one year	1,790,000	10,765,000
Due in more than one year	18,575,000	12,365,000
Due to the City of Richfield:		
Due within one year	172,405	174,905
Due in more than one year	2,392,120	2,564,525
Net pension liability:		
Due in more than one year	1,264,851	1,551,296
Total liabilities	<u>29,010,446</u>	<u>31,654,631</u>
Deferred inflow of resources:		
Related to pensions	<u>478,593</u>	<u>402,808</u>
Net position:		
Net investment in capital assets	12,479,254	9,410,647
Unrestricted	10,906,573	11,132,162
Total net position	<u>\$23,385,827</u>	<u>\$20,542,809</u>

The accompanying notes are an integral part of these financial statements.

MINNEHAHA CREEK WATERSHED DISTRICT

STATEMENT OF ACTIVITIES

Statement 2

For The Year Ended December 31, 2018

With Comparative Totals For The Year Ended December 31, 2017

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2018	2017
Primary government:						
Governmental activities:						
General government	\$3,206,406	\$ -	\$9,697	\$ -	(\$3,196,709)	(\$3,245,388)
Programs	1,041,062	98,005	57,562	-	(885,495)	(1,125,232)
Projects	4,637,204	595,780	1,907,044	-	(2,134,380)	(1,213,130)
Interest on long-term debt	716,262	-	-	-	(716,262)	(797,940)
Total governmental activities	<u>\$9,600,934</u>	<u>\$693,785</u>	<u>\$1,974,303</u>	<u>\$0</u>	<u>(6,932,846)</u>	<u>(6,381,690)</u>
General revenues:						
Property taxes					9,640,584	9,275,379
Grants and contributions not restricted to specific programs					1,816	856
Unrestricted investment earnings					83,844	55,290
Miscellaneous other					49,620	55,190
Total general revenues					<u>9,775,864</u>	<u>9,386,715</u>
Change in net position					2,843,018	3,005,025
Net position - January 1					<u>20,542,809</u>	<u>17,537,784</u>
Net position - December 31					<u>\$23,385,827</u>	<u>\$20,542,809</u>

The accompanying notes are an integral part of these financial statements.

MINNEHAHA CREEK WATERSHED DISTRICT

BALANCE SHEET
 GOVERNMENTAL FUNDS
 December 31, 2018
 With Comparative Totals For December 31, 2017

Statement 3

Assets	Management Planning Fund	
	2018	2017
Cash and investments	\$16,374,594	\$17,632,782
Accounts receivable - net	8,136	1,000
Due from other governments	1,526,054	86,260
Mortgage receivable	302,247	310,166
Prepaid item	106,659	39,089
Property taxes receivable:		
Delinquent	89,160	70,572
Due from county	71,252	94,426
Land held for resale	850,000	850,000
Total assets	<u>\$19,328,102</u>	<u>\$19,084,295</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities:		
Accounts payable	\$468,160	\$246,517
Salaries payable	27,007	55,258
Due to other governments	1,097,362	1,144,817
Unearned revenue	522,250	546,587
Contracts payable	110,320	57,894
Rental deposits payable	-	50,340
Surety deposits payable	1,893,566	1,379,024
Total liabilities	<u>4,118,665</u>	<u>3,480,437</u>
Deferred inflows of resources:		
Unavailable revenue	391,407	380,738
Total deferred inflows of resources	<u>391,407</u>	<u>380,738</u>
Fund balance:		
Nonspendable	106,659	39,089
Assigned	14,711,371	15,184,031
Total fund balance	<u>14,818,030</u>	<u>15,223,120</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$19,328,102</u>	<u>\$19,084,295</u>
Fund balance reported above	\$14,818,030	\$15,223,120
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,292,095	33,022,315
Deferred outflows of resources - pension related are not current financial resources and, therefore, are not reported in the funds.	254,669	493,638
Long-term liabilities, including compensated absences payable, loans payable and net pension and other long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(24,891,781)	(28,174,194)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	391,407	380,738
Deferred inflows of resources - pension related are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(478,593)</u>	<u>(402,808)</u>
Net position of governmental activities	<u>\$23,385,827</u>	<u>\$20,542,809</u>

The accompanying notes are an integral part of these financial statements.

MINNEHAHA CREEK WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2018
With Comparative Totals For The Year Ended December 31, 2017

Statement 4

	Management Planning Fund	
	2018	2017
Revenues:		
General property taxes	\$9,621,996	\$9,279,118
Intergovernmental - other	1,966,422	80,303
Permits	98,005	71,044
Investment income	83,844	55,290
Rental income	20,103	1,322,617
Easement revenue	575,677	-
Other	57,539	56,600
Total revenues	<u>12,423,586</u>	<u>10,864,972</u>
Expenditures:		
Current:		
General government	2,982,759	3,025,730
Programs	1,003,981	1,179,515
Projects	4,589,864	2,568,304
Debt service:		
Principal	2,939,905	3,422,405
Interest	761,496	855,615
Capital outlay - land/buildings/easements	550,671	209,683
Total expenditures	<u>12,828,676</u>	<u>11,261,252</u>
Revenues over (under) expenditures	<u>(405,090)</u>	<u>(396,280)</u>
Other financing sources (uses):		
Transfers in	3,868,540	1,299,494
Transfers out	<u>(3,868,540)</u>	<u>(1,299,494)</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>
Net change in fund balance	(405,090)	(396,280)
Fund balance - January 1	<u>15,223,120</u>	<u>15,619,400</u>
Fund balance - December 31	<u>\$14,818,030</u>	<u>\$15,223,120</u>

The accompanying notes are an integral part of these financial statements.

MINNEHAHA CREEK WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2018
With Comparative Totals For The Year Ended December 31, 2017

Statement 5

	<u>2018</u>	<u>2017</u>
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Net changes in fund balances - total governmental funds (Statement 4)	(\$405,090)	(\$396,280)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	269,780	45,040
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	10,669	(5,149)
The issuance of long-term debt (e.g., loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,939,905	3,422,405
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	56,063	77,867
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities. This is the amount by which pension expense exceeded pension contributions:		
Pension contributions	114,075	
Pension expense	(142,384)	
	<u>(28,309)</u>	<u>(138,858)</u>
Change in net position of governmental activities (Statement 2)	<u>\$2,843,018</u>	<u>\$3,005,025</u>

The accompanying notes are an integral part of these financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Minnehaha Creek Watershed District conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant accounting policies.

A. FINANCIAL REPORTING ENTITY

Minnehaha Creek Watershed District (the District) was created in 1967 under the Minnesota Watershed Act as amended by the Minnesota Water Resources Board as provided in Minnesota Statutes Chapter 112. The District is operated by a seven member Board of Managers appointed by the Hennepin and Carver County Boards of Commissioners for three year terms. Approximately 150 square miles of the District is in Hennepin County, while 30 square miles is in Carver County. The District includes all or part of 27 cities and 3 townships. In accordance with Governmental Accounting Standards Board (GASB) pronouncements and generally accepted accounting principles, the financial statements of the reporting entity should include the primary government and its component units. The District (primary government) does not have any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*. There are no business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as *general revenues*.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except reimbursement grants, to be available if

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The District reports the following major governmental fund:

Management Planning Fund Minn. Stat. Sec. 103B.241, subd. 1. - was established for the preparation of an overall plan for projects and improvements, and for projects and improvements to implement the approved plan. The Fund collects an ad valorem tax levy. The District levies out of Minnesota Statute Section 103B. Exhibit 1 shows the breakdown between projects.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

D. BUDGETARY DATA

The Board of Managers adopts an annual budget for the Management Planning Fund on an annual basis. During the budget year, supplemental appropriations and deletions are or may be authorized by the Board. The modified accrual basis of accounting is used by the District for budgeting data. All appropriations end with the fiscal year for which they were made.

The District monitors budget performances on the fund basis. All amounts over budget have been approved by the Board through the disbursement approval process.

Encumbrance accounting, under which purchase orders, contracts, and other commitments of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

E. CASH AND INVESTMENTS

Investments are stated at fair value, except for investments in external investment pools that meet GASB Statement No. 79 requirements. The District has reported all investment income, including changes in fair value of investments, as revenue in the operating statements.

F. PROPERTY TAX REVENUE RECOGNITION

The Board of Managers annually adopts a tax levy and certifies it to the County in October (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

year. These taxes are collected by the County and remitted to the District on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The District has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The District recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the District the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the District in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

G. INVENTORIES

The original cost of materials and supplies has been recorded as expenditures at the time of purchase. The District does not maintain material amounts of inventories of goods and supplies.

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets, and intangible assets such as computer software, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

GASB Statement No. 34 required the District to report and depreciate new infrastructure assets. Infrastructure assets include lake improvements, dams and drainage systems. Neither their historical cost nor related depreciation has historically been reported in the financial statements. For governmental entities with total annual revenues of less than \$10 million for the fiscal year ended December 31, 1999, the retroactive reporting of infrastructure is not required under the provisions of GASB Statement No. 34. The District implemented the general provisions of GASB Statement No. 34 in 2004 and has elected not to report infrastructure assets acquired in years prior to 2004. The District did not acquire any infrastructure assets during 2004 through 2018.

The District implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* effective January 1, 2010 which required the District to capitalize and amortize intangible assets. For governmental entities with total annual revenues of less than \$10 million for the fiscal year ended December 31, 1999, the retroactive reporting of intangible assets is not required under the provision of GASB Statement No. 51. The District has elected not to report intangible assets acquired in years prior to 2010.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

Cold storage building	3 years (useful life)
Buildings, structures and land improvements	30 years
Equipment	5 years
Vehicles	5 years
Furniture	5 years

I. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and accumulated sick leave benefits that are vested as severance pay are accrued when incurred in the government-wide financial statements.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

J. FUND BALANCE CLASSIFICATIONS

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the Board.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the Board's intended use. These constraints are established by the District's Board.

Unassigned - is the residual classification for a general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the Board's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

K. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

L. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

M. LONG-TERM OBLIGATION

In the government-wide financial statements, the long-term debt is reported as a liability in the statement of net position. In the fund financial statement, governmental fund types reported the face amount of debt issued as another financing source.

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the pension related deferred outflows of resources reported in the government-wide Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has pension related deferred inflows of resources reported in the government-wide Statement of Net Pension. The government also has a type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from property taxes and mortgage receivable.

O. STATE-WIDE PENSION PLANS

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

P. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities,

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

including compensated absences payable, loans payable, and other long-term obligations are not due and payable in the current period and therefore are not reported in the funds.” The detail of this (\$24,891,781) difference is as follows:

Loans payable	(\$20,365,000)
Unamortized loan premium	(447,841)
Accrued interest payable	(112,541)
Compensated absences	(137,023)
Due to the City of Richfield	(2,564,525)
Net pension liability	<u>(1,264,851)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	 <u><u>(\$24,891,781)</u></u>

Another element of that reconciliation explains that “other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.” The detail of this \$391,407 difference is as follows:

Delinquent taxes	\$89,160
Mortgage receivable	<u>302,247</u>
 Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	 <u><u>\$391,407</u></u>

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The detail of this \$269,780 difference is as follows:

Capital outlay	\$550,671
Capital asset disposals	(114,286)
Depreciation expense	<u>(166,605)</u>
 Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	 <u><u>\$269,780</u></u>

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$10,669 difference is as follows:

Unavailable revenue - general property taxes:	
At December 31, 2017	(\$70,572)
At December 31, 2018	89,160
Unavailable revenue - mortgage receivable:	
At December 31, 2017	(310,166)
At December 31, 2018	<u>302,247</u>
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$10,669</u></u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$2,939,905 difference is as follows:

Loan principal repayments	\$2,765,000
Due to the City of Richfield repayments	<u>174,905</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$2,939,905</u></u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$56,063 difference is as follows:

Amortization of debt premium/discount	\$33,827
Compensated absences	10,829
Accrued interest	<u>11,407</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$56,063</u></u>

Q. RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District Board, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes and treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- d) Unrated general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and
- f) Time deposits that are fully insured by any federal agency.

Custodial Credit Risk- Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State Statutes require that insurance, surety bonds or collateral protect all District deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. The District has no additional deposit policies addressing custodial credit risk. At December 31, 2018, the carrying amount of the District's deposits was \$16,374,594 and the bank balance was \$16,722,832. The entire bank balance was covered by federal depository insurance, surety bonds or perfected collateral held by the District's agent in the District's name.

B. INVESTMENTS

Minnesota Statutes authorize the District to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligations of the State of Minnesota or any of its municipalities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptance of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

The District did not invest in any of the above listed investments during 2018.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. The District follows State Statutes in regards to credit risk of investments. The District's investment policy states the District will cross-check all depositories under consideration against existing investments to ensure that funds in excess of insurance limits are not deposited with the same institution unless collateralized.

Interest Rate Risk. Interest rate risk is the risk that changes in the interest rates of debt investments could adversely affect the fair value of an investment. The District's investment policy states that the District will minimize interest rate risk by structuring its investment portfolio to ensure that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the District's investment in a single issuer. The District's investment policy states that they will diversify their investments according to type and maturity and will attempt to match investments with anticipated cash flow requirements.

Custodial Credit Risk- Investments. For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investment securities that is in the possession of an outside party. The District's investment policy states they will obtain collateral for all uninsured amounts on deposit.

The District uses a 3rd party financial advisor to ensure compliance with the above MN State Statutes.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

Note 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2018 are as follows:

	<u>Management Planning</u>
Delinquent property taxes	\$61,315
Mortgage receivable	<u>295,515</u>
Total	<u><u>\$356,830</u></u>

Note 4 UNAVAILABLE REVENUES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	<u>Property Taxes</u>	<u>Mortgage Receivable</u>	<u>Total</u>
Management Planning Fund	<u>\$89,160</u>	<u>\$302,247</u>	<u>\$391,407</u>

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Reclassifications	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$29,819,481	(\$1,212,739)	\$452,096	(\$114,286)	\$28,944,552
Permanent Easements	183,620	1,200,000	-	-	1,383,620
Construction in progress	209,683	-	-	(209,683)	-
Total capital assets, not being depreciated	<u>30,212,784</u>	<u>(12,739)</u>	<u>452,096</u>	<u>(323,969)</u>	<u>30,328,172</u>
Capital assets, being depreciated:					
Buildings and improvements	3,676,449	12,739	-	(1,814,276)	1,874,912
Land improvements	1,237,357	-	209,683	-	1,447,040
Furniture	122,917	-	-	-	122,917
Equipment	257,981	-	7,076	-	265,057
Vehicle	172,437	-	91,499	(33,490)	230,446
Total capital assets, being depreciated	<u>5,467,141</u>	<u>12,739</u>	<u>308,258</u>	<u>(1,847,766)</u>	<u>3,940,372</u>
Less accumulated depreciation for:					
Buildings and improvements	2,095,460	-	65,257	(1,814,276)	346,441
Land improvements	123,736	-	44,740	-	168,476
Furniture	110,628	-	12,289	-	122,917
Equipment	188,674	-	22,663	-	211,337
Vehicle	139,112	-	21,656	(33,490)	127,278
Total accumulated depreciation	<u>2,657,610</u>	<u>0</u>	<u>166,605</u>	<u>(1,847,766)</u>	<u>976,449</u>
Total capital assets being depreciated - net	<u>2,809,531</u>	<u>12,739</u>	<u>141,653</u>	<u>0</u>	<u>2,963,923</u>
Governmental activities capital assets - net	<u>\$33,022,315</u>	<u>\$0</u>	<u>\$593,749</u>	<u>(\$323,969)</u>	<u>\$33,292,095</u>

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

Governmental activities:	
General government	\$82,184
Program	37,081
Projects	47,340
Total	<u>\$166,605</u>

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Note 6 LONG-TERM DEBT

The District issued loans to provide funds for the acquisition of land and buildings. The District has also agreed to service the debt of the City of Richfield that was used to construct the storm water treatment facility.

GOVERNMENTAL ACTIVITIES

As of December 31, 2018, the long-term debt of the financial reporting entity consisted of the following:

	Interest Rates	Date	Final Maturity Date	Original Issue	Payable 12/31/18
Loan payable:					
2010B Loan	2.00 - 3.50%	09/15/2010	12/1/2030	\$3,190,000	\$2,145,000
2011 A-1 Loan	2.00 - 4.00%	11/15/2011	12/1/2031	4,715,000	3,460,000
2012 Wells Fargo Loan	varies*	11/13/2012	11/1/2032	2,000,000	1,400,000
2013B Loan	2.00 - 3.00%	06/01/2013	12/1/2032	7,075,000	5,360,000
2018 Wells Fargo Loan	3.74%	10/1/2018	10/1/2023	8,000,000	8,000,000
Due to the City of Richfield	N/A	3/20/2013	2/1/2033	3,455,258	2,564,525
				<u>28,435,258</u>	<u>22,929,525</u>
Compensated absences payable					<u>137,023</u>
Total District indebtedness - governmental activities				<u>\$28,435,258</u>	<u>\$23,066,548</u>

* Variable rate, equal to federal funds target rate

	2010B Loan		2011A 1 Loan		2012 Wells Fargo Loan		2013B Loan		2018 Wells Fargo Loan	
	Principal	Interest	Principal	Interest	Principal	Interest*	Principal	Interest	Principal	Interest
2019	\$150,000	\$66,462	\$215,000	\$125,768	\$100,000	\$23,094	\$325,000	\$137,387	\$1,000,000	\$299,200
2020	155,000	63,464	220,000	117,169	100,000	21,531	335,000	127,638	1,000,000	261,800
2021	160,000	57,262	230,000	108,369	100,000	19,684	345,000	117,588	1,500,000	224,400
2022	165,000	52,464	240,000	99,169	100,000	18,057	355,000	107,237	1,500,000	168,300
2023	170,000	47,512	250,000	89,569	100,000	16,375	360,000	100,137	3,000,000	112,200
2024-2028	930,000	158,062	1,365,000	327,576	500,000	56,752	1,920,000	386,487	-	-
2029-2033	415,000	21,362	940,000	76,200	400,000	15,116	1,720,000	130,950	-	-
Total	<u>\$2,145,000</u>	<u>\$466,588</u>	<u>\$3,460,000</u>	<u>\$943,820</u>	<u>\$1,400,000</u>	<u>\$170,609</u>	<u>\$5,360,000</u>	<u>\$1,107,424</u>	<u>\$8,000,000</u>	<u>\$1,065,900</u>

* Variable rate is reset each month, interest is estimated

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

During 2013, the District entered into a cooperative agreement with the City of Richfield. The agreement called for the City to finance and design a regional storm water treatment facility. The City issued bonds in the amount of \$2,770,000 to finance the construction, which per the agreement, the District agreed to service. The agreement requires the District to cover the annual debt service payments, both principal and interest. Total amount due to the City of Richfield at December 31, 2018 was as follows:

<u>Due to the City of Richfield</u>	
2019	\$172,405
2020	169,905
2021	172,355
2022	169,755
2023	172,105
2024-2028	852,861
2029-2033	855,139
Total	<u>\$2,564,525</u>

It is not practicable to determine the specific year for payment of long-term accrued compensated absences.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/18	Due Within One Year
Governmental activities:					
2010B - Loan payable	\$2,290,000	\$ -	(\$145,000)	\$2,145,000	\$150,000
2011A 1 - Loan payable	3,665,000	-	(205,000)	3,460,000	215,000
2011A Wells Fargo Loan payable	10,000,000	-	(10,000,000)	-	-
2012 Wells Fargo Loan payable	1,500,000	-	(100,000)	1,400,000	100,000
2013B - Loan payable	5,675,000	-	(315,000)	5,360,000	325,000
2018 Wells Fargo Loan payable	-	8,000,000	-	8,000,000	1,000,000
Due to the City of Richfield	2,739,430	-	(174,905)	2,564,525	172,405
Compensated absences	147,852	163,532	(174,361)	137,023	8,833
Total governmental activities	<u>\$26,017,282</u>	<u>\$8,163,532</u>	<u>(\$11,114,266)</u>	<u>\$23,066,548</u>	<u>\$1,971,238</u>

For the governmental activities, compensated absences are liquidated by the Management Planning Fund. All notes and loans are liquidated by the Management Planning Fund.

During 2018, the District paid \$2,000,000 of the principal on the 2011A Wells Fargo Loan. In addition, the District replaced the remaining \$8,000,000 of the outstanding principal with a new 2018 loan through a non cash transaction with Wells Fargo.

Note 7 DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the District are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2% for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% for all years of service. The accrual rates for former Minneapolis Employee Retirement Fund (MERF) members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

C. CONTRIBUTIONS

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

GERF Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2018. The District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the GERF for the year ended December 31, 2018, were \$114,075. The District's contributions were equal to the required contributions as set by state statute.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

D. PENSION COSTS

GERF Pension Costs

At December 31, 2018, the District reported a liability of \$1,264,851 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$41,581. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the District's proportion was .0228% which was a decrease of .0015% from its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For the year ended December 31, 2018, the District recognized pension expense of \$142,384 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$9,697 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$33,478	\$35,678
Changes in actuarial assumptions	116,852	142,120
Difference between projected and actual investment earnings	-	135,411
Changes in proportion	48,898	165,384
Contributions paid to PERA subsequent to the measurement date	55,441	-
Total	<u>\$254,669</u>	<u>\$478,593</u>

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

\$55,441 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2019	\$17,044
2020	(137,765)
2021	(132,246)
2022	(26,398)
2023	-
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Growth	3.25% per year after 26 years of service
Investment Rate of Return	7.50%

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the General Employees Plan. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
Total	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Retirement Fund was projected to be available to make all projected 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.

G. PENSION LIABILITY SENSITIVITY

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the GERF net pension liability	\$2,055,544	\$1,264,851	\$612,156

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

Note 8 CONTINGENCIES

The District has indicated that any existing or pending lawsuits, claims or other actions in which the District is a defendant are either covered by insurance; of an immaterial amount; or, in the judgement of the District, remotely recoverable by plaintiffs.

Note 9 FUND BALANCE - CLASSIFICATIONS

At December 31, 2018, a summary of the governmental fund balance classifications are as follows:

	Nonspendable Prepaid Item	Restricted	Committed	Assigned for Water Management	Unassigned	Total
Management Planning Fund	\$106,659	\$ -	\$ -	\$14,711,371	\$ -	\$14,818,030

Note 10 FEDERAL AND STATE ASSISTED PROGRAMS - COMPLIANCE AUDITS

The District receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at December 31, 2018.

Note 11 RISK MANAGEMENT

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The District pays an annual premium to LMCIT. The District is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. The District's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the LMCIT. The District pays an annual premium to the LMCIT. The District is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The District retains risk for the deductible portions. There deductibles are considered immaterial to the financial statements.

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

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

Note 12 COST SHARE AGREEMENTS

The District previously entered into cost share agreements with various property owners to install and maintain wetland buffers. The cost share agreements are paid in annual installments.

The following is a schedule of future payments under the cost share agreements.

<u>Year</u>	<u>Yetzer</u>	<u>Brockpahler</u>	<u>Yetzer II</u>	<u>Total</u>
2019	\$ -	\$2,420	\$9,398	\$11,818
Total	<u>\$0</u>	<u>\$2,420</u>	<u>\$9,398</u>	<u>\$11,818</u>

Note 13 COMMITTED CONTRACTS

At December 31, 2018, the District had commitments of \$3,307,815 for uncompleted construction contracts.

Note 14 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Boards (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 83 *Certain Asset Retirement Obligations.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84 *Fiduciary Activities.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87 *Leases.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Periods.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90 *Majority Equity Interests.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 87 may have a material impact.

DRAFT 318/19

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REQUIRED SUPPLEMENTARY INFORMATION

DRAFT 3/18/19

MINNEHAHA CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MANAGEMENT PLANNING FUND
For The Year Ended December 31, 2018
With Comparative Actual Amounts For The Year Ended December 31, 2017

Statement 6

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
Revenues:					
General property taxes	\$9,675,993	\$9,675,993	\$9,621,996	(\$53,997)	\$9,279,118
Intergovernmental - other	1,000,952	1,000,952	1,966,422	965,470	80,303
Permits	58,462	58,462	98,005	39,543	71,044
Investment income	65,000	65,000	83,844	18,844	55,290
Rental income	-	-	20,103	20,103	1,322,617
Easement revenue	-	-	575,677	575,677	-
Other	225,000	225,000	57,539	(167,461)	56,600
Total revenues	<u>11,025,407</u>	<u>11,025,407</u>	<u>12,423,586</u>	<u>1,398,179</u>	<u>10,864,972</u>
Expenditures:					
District operations and personnel	3,147,663	3,147,663	2,982,759	164,904	3,025,730
Programs	1,105,910	1,105,910	1,003,981	101,929	1,179,515
Project implementation	4,117,861	4,117,861	4,589,864	(472,003)	2,568,304
Debt service	3,755,231	3,755,231	3,701,401	53,830	4,278,020
Capital outlay - land/buildings/easements	15,227	15,227	550,671	(535,444)	209,683
Total expenditures	<u>12,141,892</u>	<u>12,141,892</u>	<u>12,828,676</u>	<u>(686,784)</u>	<u>11,261,252</u>
Revenues over (under) expenditures	<u>(1,116,485)</u>	<u>(1,116,485)</u>	<u>(405,090)</u>	<u>711,395</u>	<u>(396,280)</u>
Other financing sources (uses):					
Transfers in	-	-	3,868,540	3,868,540	1,299,494
Transfers out	-	-	(3,868,540)	(3,868,540)	(1,299,494)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>(\$1,116,485)</u>	<u>(\$1,116,485)</u>	<u>(405,090)</u>	<u>\$711,395</u>	<u>(396,280)</u>
Fund balance - January 1			<u>15,223,120</u>		<u>15,619,400</u>
Fund balance - December 31			<u>\$14,818,030</u>		<u>\$15,223,120</u>

MINNEHAHA CREEK WATERSHED DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY* -
 GENERAL EMPLOYEES RETIREMENT FUND
 For The Year Ended December 31, 2018

Measurement Date June 30	Fiscal Year Ending December 31	District's Proportionate (Percentage) of the Net Pension Liability	District's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Pension Liability Associated with District (a+b)	Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	0.0241%	\$1,248,987	\$ -	\$1,248,987	\$1,419,427	88.0%	78.2%
2016	2016	0.0277%	2,249,103	29,414	2,278,517	1,690,960	134.7%	68.9%
2017	2017	0.0243%	1,551,296	19,498	1,570,794	1,564,790	100.4%	75.9%
2018	2018	0.0228%	1,264,851	41,581	1,306,432	1,533,239	85.2%	79.5%

* The schedule is provided prospectively beginning with the District's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

DRAFT 3/18/18

MINNEHAHA CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS* - GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2018

Statement 8

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2015	\$114,171	\$114,171	\$0	\$1,522,278	7.5%
December 31, 2016	121,071	121,071	0	1,614,270	7.5%
December 31, 2017	118,539	118,539	0	1,580,527	7.5%
December 31, 2018	114,075	114,075	0	1,521,002	7.5%

* The schedule is provided prospectively beginning with the District's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

DRAFT 3/18/19

MINNEHAHA CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2018

Note A LEGAL COMPLIANCE – BUDGETS

The Management Planning Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level for the Management Planning Fund.

Note B PENSION INFORMATION

PERA – General Employees Retirement Fund

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 Changes

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

DRAFT 318/19

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SUPPLEMENTARY FINANCIAL INFORMATION

DRAFT 3/18/19

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2018

	1002 General	1003 Information Technology	1004 Government Relations	2001 Permit Administration
Revenues:				
General property taxes	\$1,123,922	\$76,272	\$31,324	\$601,768
Intergovernmental - other	1,131	6	3	48
Permits	-	-	-	98,005
Investment income	83,844	-	-	-
Rental income	-	-	-	-
Easement revenue	-	-	-	-
Other	26,868	-	-	253
Total revenues	<u>1,235,765</u>	<u>76,278</u>	<u>31,327</u>	<u>700,074</u>
Expenditures:				
General government:				
District operations and personnel	1,027,864	124,942	-	318,062
Programs	-	-	-	304,225
Projects	-	-	34,131	-
Debt service:				
Principal	100,000	-	-	-
Interest	52,877	-	-	-
Capital outlay	28,739	-	-	-
Total expenditures	<u>1,209,480</u>	<u>124,942</u>	<u>34,131</u>	<u>622,287</u>
Revenues over (under) expenditures	<u>26,285</u>	<u>(48,664)</u>	<u>(2,804)</u>	<u>77,787</u>
Other financing sources (uses):				
Transfers in	169,046	-	304	-
Transfers out	(304)	(148,816)	(3,207)	(108,502)
Total other financing sources (uses)	<u>168,742</u>	<u>(148,816)</u>	<u>(2,903)</u>	<u>(108,502)</u>
Net change in fund balance	195,027	(197,480)	(5,707)	(30,715)
Fund balance (deficit) - January 1	<u>845,067</u>	<u>208,616</u>	<u>5,707</u>	<u>81,451</u>
Fund balance (deficit) - December 31	<u><u>\$1,040,094</u></u>	<u><u>\$11,136</u></u>	<u><u>\$0</u></u>	<u><u>\$50,736</u></u>

2002 Planning & Projects	2003 Maintenance	2004 Land Conservation	2006 Habitat Restoration Initiative	3106 Halstads Six-Mile Creek	3140 Taft/Legion Feasibility Study	3142 Long Lake Creek Project
\$907,219	\$749,989	\$3,141,780	\$11,752	\$ -	\$173,929	\$ -
229,668	60	253	1	-	14	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,204	12,507	-	-	-	-
<u>1,136,887</u>	<u>751,253</u>	<u>3,154,540</u>	<u>11,753</u>	<u>0</u>	<u>173,943</u>	<u>0</u>
473,916	172,671	-	-	-	-	-
-	-	-	-	-	-	-
395,310	315,450	-	11,818	-	-	-
-	-	2,665,000	-	-	174,905	-
-	-	708,619	-	-	-	-
-	-	452,096	-	-	-	-
<u>869,226</u>	<u>488,121</u>	<u>3,825,715</u>	<u>11,818</u>	<u>0</u>	<u>174,905</u>	<u>0</u>
<u>267,661</u>	<u>263,132</u>	<u>(671,175)</u>	<u>(65)</u>	<u>0</u>	<u>(962)</u>	<u>0</u>
25,000	-	-	65	-	-	-
(313,850)	(349,107)	-	-	(6,303)	-	(36,583)
<u>(288,850)</u>	<u>(349,107)</u>	<u>0</u>	<u>65</u>	<u>(6,303)</u>	<u>0</u>	<u>(36,583)</u>
(21,189)	(85,975)	(671,175)	0	(6,303)	(962)	(36,583)
<u>213,183</u>	<u>126,197</u>	<u>8,447,852</u>	<u>-</u>	<u>131,303</u>	<u>5,600</u>	<u>36,583</u>
<u>\$191,994</u>	<u>\$40,222</u>	<u>\$7,776,677</u>	<u>\$0</u>	<u>\$125,000</u>	<u>\$4,638</u>	<u>\$0</u>

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2018

	3145 Blake Road Stormwater Management	3146 Cottageville Park	3147 54th St Stream Repair	3148 FEMA Flood Repairs	3149 Highway 101 Causeway
Revenues:					
General property taxes	\$355,491	\$ -	\$578,348	\$8,938	\$ -
Intergovernmental - other	1,305,729	-	276,552	72,395	-
Permits	-	-	-	-	-
Investment income	-	-	-	-	-
Rental income	-	-	-	-	-
Easement revenue	575,677	-	-	-	-
Other	-	5,683	-	-	-
Total revenues	2,236,897	5,683	854,900	81,333	0
Expenditures:					
General government:					
District operations and personnel	-	-	-	-	-
Programs	-	-	-	-	-
Projects	2,201,293	17,920	507,942	281,141	5,348
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	2,201,293	17,920	507,942	281,141	5,348
Revenues over (under) expenditures	35,604	(12,237)	346,958	(199,808)	(5,348)
Other financing sources (uses):					
Transfers in	963,082	-	720,884	426,249	-
Transfers out	(948,692)	-	-	-	(107,592)
Total other financing sources (uses)	14,390	0	720,884	426,249	(107,592)
Net change in fund balance	49,994	(12,237)	1,067,842	226,441	(112,940)
Fund balance (deficit) - January 1	1,495,824	41,064	531,005	90,763	149,088
Fund balance (deficit) - December 31	<u>\$1,545,818</u>	<u>\$28,827</u>	<u>\$1,598,847</u>	<u>\$317,204</u>	<u>\$36,148</u>

3150 Meadowbrook Golf Course	3151 Minnehaha Preserve Enhancement	3152 SWLRT Trail Connection	3153 Wassermann West Project	3155 Minneapolis Stormwater Mgmt	3500 Grant Program / Responsive CIP	4001 Stewardship Grant Program
\$91,972 7	\$ -	\$ -	\$54,694 22,854	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	3,845
<u>91,979</u>	<u>0</u>	<u>0</u>	<u>77,548</u>	<u>0</u>	<u>0</u>	<u>3,845</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	1,250
1,638	5,109	-	55,741	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,638</u>	<u>5,109</u>	<u>0</u>	<u>55,741</u>	<u>0</u>	<u>0</u>	<u>1,250</u>
<u>90,341</u>	<u>(5,109)</u>	<u>0</u>	<u>21,807</u>	<u>0</u>	<u>0</u>	<u>2,595</u>
-	4,687	-	69,500	250,000	250,000	-
(387,500)	-	-	-	-	-	-
<u>(387,500)</u>	<u>4,687</u>	<u>0</u>	<u>69,500</u>	<u>250,000</u>	<u>250,000</u>	<u>0</u>
(297,159)	(422)	0	91,307	250,000	250,000	2,595
810,512	9,832	-	-	-	-	4,126
<u>\$513,353</u>	<u>\$9,410</u>	<u>\$0</u>	<u>\$91,307</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$6,721</u>

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2018

	4002 Education	4003 Communications	4004 Master Water Stewards Grant	4005 Cost Share Program
Revenues:				
General property taxes	\$414,725	\$206,049	\$ -	\$ -
Intergovernmental - other	33	17	-	-
Permits	-	-	-	-
Investment income	-	-	-	-
Rental income	-	-	-	-
Easement revenue	-	-	-	-
Other	1,033	-	-	-
Total revenues	<u>415,791</u>	<u>206,066</u>	<u>0</u>	<u>0</u>
Expenditures:				
General government:				
District operations and personnel	155,437	190,635	-	-
Programs	53,328	27,255	-	256,465
Projects	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>208,765</u>	<u>217,890</u>	<u>0</u>	<u>256,465</u>
Revenues over (under) expenditures	<u>207,026</u>	<u>(11,824)</u>	<u>0</u>	<u>(256,465)</u>
Other financing sources (uses):				
Transfers in	-	32,707	-	-
Transfers out	(140,865)	(20,883)	(5,574)	(517,724)
Total other financing sources (uses)	<u>(140,865)</u>	<u>11,824</u>	<u>(5,574)</u>	<u>(517,724)</u>
Net change in fund balance	66,161	0	(5,574)	(774,189)
Fund balance (deficit) - January 1	<u>15,703</u>	<u>-</u>	<u>5,574</u>	<u>1,402,172</u>
Fund balance (deficit) - December 31	<u><u>\$81,864</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$627,983</u></u>

5001 Water Quality	5002 E-Grade (Ecosystem Evaluation)	5005 AIS Program	5007 SMCHB-Carp Management	6001 Cold Storage	Total All Projects
\$962,561	\$ -	\$131,263	\$ -	\$ -	\$9,621,996
78	-	11	57,562	-	1,966,422
-	-	-	-	-	98,005
-	-	-	-	-	83,844
-	-	-	-	20,103	20,103
-	-	-	-	-	575,677
1,746	-	-	-	4,400	57,539
<u>964,385</u>	<u>0</u>	<u>131,274</u>	<u>57,562</u>	<u>24,503</u>	<u>12,423,586</u>
519,232	-	-	-	-	2,982,759
155,603	56,586	91,707	57,562	-	1,003,981
-	-	-	-	757,023	4,589,864
-	-	-	-	-	2,939,905
-	-	-	-	-	761,496
69,836	-	-	-	-	550,671
<u>744,671</u>	<u>56,586</u>	<u>91,707</u>	<u>57,562</u>	<u>757,023</u>	<u>12,828,676</u>
<u>219,714</u>	<u>(56,586)</u>	<u>39,567</u>	<u>0</u>	<u>(732,520)</u>	<u>(405,090)</u>
-	-	-	-	957,016	3,868,540
<u>(278,113)</u>	<u>(16,979)</u>	<u>(95,734)</u>	<u>-</u>	<u>(382,212)</u>	<u>(3,868,540)</u>
<u>(278,113)</u>	<u>(16,979)</u>	<u>(95,734)</u>	<u>0</u>	<u>574,804</u>	<u>0</u>
(58,399)	(73,565)	(56,167)	0	(157,716)	(405,090)
<u>248,103</u>	<u>73,565</u>	<u>86,514</u>	<u>-</u>	<u>157,716</u>	<u>15,223,120</u>
<u>\$189,704</u>	<u>\$0</u>	<u>\$30,347</u>	<u>\$0</u>	<u>\$0</u>	<u>\$14,818,030</u>

DRAFT 318/19

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OTHER INFORMATION SECTION - UNAUDITED

DRAFT 3/18/19

MINNEHAHA CREEK WATERSHED DISTRICT
MARKET VALUES BY WATERSHED - UNAUDITED

For Taxes Payable in 2018

Watershed	Estimated Market Value		
	Personal	Real	Total
1 Nine Mile Creek	\$99,082,200	\$19,782,667,300	\$19,881,749,500
2 Elm Creek WMO	135,465,900	12,495,023,200	12,630,489,100
3 Lower MN River	520,634,200	3,468,151,200	3,988,785,400
4 Minnehaha Creek	278,624,100	48,257,675,500	48,536,299,600
5 Riley Purgatory	70,328,300	10,699,078,300	10,769,406,600
6 Rice Creek	798,500	158,937,100	159,735,600
7 Middle Mississippi	223,393,200	29,242,850,900	29,466,244,100
8 Bassett Creek	100,096,000	13,588,203,100	13,688,299,100
9 Shingle Creek	98,236,100	12,923,154,300	13,021,390,400
10 West Mississippi Watershed	3,240,900	6,328,683,000	6,331,923,900
County total	<u>\$1,529,899,400</u>	<u>\$156,944,423,900</u>	<u>\$158,474,323,300</u>

Source: Hennepin County Taxpayer Services - Property Tax - Tax Accounting

DRAFT 3/18/19

Taxable Market Value			Referendum Market Value		
Personal	Real	Total	Personal	Real	Total
\$99,082,200	\$19,389,503,548	\$19,488,585,748	\$99,082,200	\$19,688,429,100	\$19,787,511,300
135,465,900	12,176,517,027	12,311,982,927	135,465,900	12,097,268,650	12,232,734,550
520,634,200	3,358,197,570	3,878,831,770	520,634,200	3,425,648,925	3,946,283,125
278,624,100	47,372,546,914	47,651,171,014	278,624,100	47,196,055,825	47,474,679,925
70,328,300	10,480,267,856	10,550,596,156	70,328,300	10,636,602,825	10,706,931,125
798,500	152,612,983	153,411,483	798,500	157,940,100	158,738,600
222,708,155	28,621,196,191	28,843,904,346	219,639,400	28,956,740,800	29,176,380,200
100,096,000	13,162,581,012	13,262,677,012	100,096,000	13,477,468,025	13,577,564,025
98,236,100	12,193,595,007	12,291,831,107	98,236,100	12,795,663,515	12,893,899,615
3,240,900	5,977,769,448	5,981,010,348	3,240,900	6,220,617,550	6,223,858,450
<u>\$1,529,214,355</u>	<u>\$152,884,787,556</u>	<u>\$154,414,001,911</u>	<u>\$1,526,145,600</u>	<u>\$154,652,435,315</u>	<u>\$156,178,580,915</u>

DRAFT 31819

MINNEHAHA CREEK WATERSHED DISTRICT
SCHEDULE OF EXPENDITURES - LAND CONSERVATION AND COLD STORAGE - UNAUDITED
ACCOUNTS 2004 AND 6001

	<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
	Land Conservation and Cold Storage				
Expenses:					
Operations and projects	\$159,018	\$123,978	\$238,229	\$598,187	\$1,038,972
Capital outlay:					
Whitman property	900,000	-	-	-	-
Walders property	90,000	-	-	-	-
Chute Property	-	1,539,050	-	-	-
Dierks Property	-	2,710,383	-	-	-
Waldera Property	-	-	539,963	-	-
Rye Property	-	-	418,026	-	-
Weis Property	-	-	-	1,030,000	-
Barkus Property	-	-	-	220,094	-
Broing Property	-	-	-	1,128,206	-
Ugorets Property	-	-	-	351,044	-
Nemar Property	-	-	-	331,514	-
Halstead Drive (Halverson)	-	-	-	-	2,316,264
Cold Storage Facility	-	-	-	-	15,118,964
7701 Halstead Drive	-	-	-	-	-
1308 Lake Street	-	-	-	-	-
1312 Lake Street	-	-	-	-	-
Katy Hills Easement	-	-	-	-	-
Jane and James Hesse Easement	-	-	-	-	-
Farmhill Circle	-	-	-	-	-
Capitalized for audit	990,000	4,249,433	957,989	3,060,858	17,435,228
Building purchases not capitalized****	-	-	-	2,045,000	-
Total capital outlay	990,000	4,249,433	957,989	5,105,858	17,435,228
Total expenditures**	\$1,149,018	\$4,373,411	\$1,196,218	\$5,704,045	\$18,474,200

** The total expenditures does not include debt service payments, issuance expense, and transfers out.

**** This was the portion of the Ugorets and Nemar properties that was not capitalized for the audit. The amount is related to the price of the buildings on the property, which were being demolished and, therefore, were not capital assets to depreciate.

12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	Total
Land Conservation and Cold Storage							
\$1,511,286	\$1,645,924	\$1,512,166	\$1,567,901	\$1,458,808	\$1,511,482	\$757,023	\$12,122,974
-	-	-	-	-	-	-	900,000
-	-	-	-	-	-	-	90,000
-	-	-	-	-	-	-	1,539,050
-	-	-	-	-	-	-	2,710,383
-	-	-	-	-	-	-	539,963
-	-	-	-	-	-	-	418,026
-	-	-	-	-	-	-	1,030,000
-	-	-	-	-	-	-	220,094
-	-	-	-	-	-	-	1,128,206
-	-	-	-	-	-	-	351,044
-	-	-	-	-	-	-	331,514
-	-	-	-	-	-	-	2,316,264
-	-	-	-	-	-	-	15,118,964
2,278,518	-	-	-	-	-	-	2,278,518
192,235	-	-	-	-	-	-	192,235
182,436	-	-	-	-	-	-	182,436
56,774	-	-	-	-	-	-	56,774
-	-	-	-	80,000	-	-	80,000
-	-	-	-	-	-	452,096	452,096
2,709,963	-	-	-	80,000	-	452,096	29,935,567
-	-	-	-	-	-	-	2,045,000
2,709,963	0	0	0	80,000	0	452,096	31,980,567
\$4,221,249	\$1,645,924	\$1,512,166	\$1,567,901	\$1,538,808	\$1,511,482	\$1,209,119	\$44,103,541

DRAFT 318/19

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OTHER REPORTS

DRAFT 3/18/19

DRAFT 318/19

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REPORT ON INTERNAL CONTROL

To the Board of Managers and Management
Minnehaha Creek Watershed District
Minnetonka, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Minnehaha Creek Watershed District as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Minnehaha Creek Watershed District's internal control over financial reporting (internal control) as a basis for designing 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 Minnehaha Creek Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Minnehaha Creek Watershed 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.

Our consideration of internal control was for the limited purpose described in the first paragraph 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.

This communication is intended solely for the information and use of management, the Minnehaha Creek Watershed District's Board of Managers, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

_____, 2019

DRAFT 318/19

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MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Managers of the
Minnehaha Creek Watershed District
Minnetonka, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Minnehaha Creek Watershed District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Minnehaha Creek Watershed District's basic financial statements, and have issued our report thereon dated _____, 2019.

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

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

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

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

_____, 2019

DRAFT 318/19

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Honorable Managers of the
Minnehaha Creek Watershed District
Minnetonka, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Minnehaha Creek Watershed District (the District) for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 21, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Results

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Governmental Activities financial statements are management's estimates of the net pension liability, the pension related deferred outflows and inflows of resources, and pension expense and the value of land held for resale. Management's estimates relating to the net pension liability, pension related deferred outflows and inflows of resources and pension expense are based on actuarial studies. Management's estimate of the value of land held is based on estimated recoverable costs. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Determining sensitivity is subjective, however, we believe the disclosure most likely to be considered sensitive is Note 7– Defined Benefit Pension Plans.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There are no uncorrected misstatements that have an effect on our opinion on the financial statements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statement taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedule, schedule of proportionate share of net pension liability, and schedule of pension contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary financial information section, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and the other information sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on it.

Other Reports

Various reports on compliance and internal controls are contained in the Other Reports section of the audited financial statements document.

Other Comments and Recommendations

Charge Accounts – During our communications with management, it was noted that there is currently a charge account being used for supplies at a specific vendor with no purchase limit and the charge account is not limited to specific users. In addition, it was noted no ID or verification checks are made at the vendor when purchases are made. We recommend preventative controls be added over this charge account to help prevent unauthorized purchases before they may occur.

Timesheet Approval – During our audit procedures, it was noted that there is currently no process or requirement for approval of the District Administrator's timesheet. We recommend that all timesheets have approval. In addition, we noted one timesheet signed by a supervisor but not the employee. This occurred when an employee was absent. We recommend all employees sign their timesheets, and in cases where the employee is not present, that documentation be kept on how the employee's timesheet was validated.

Restrictions on Use

This information is intended solely for the information and use of management and Minnehaha Creek Watershed District's Board of Managers and is not intended to be, and should not be, used by anyone other than these specified parties.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

_____, 2019

DRAFT 31819

Redpath and Company, Ltd.
St. Paul, Minnesota

This representation letter is provided in connection with your audit of the financial statements of Minnehaha Creek Watershed District, which comprise the respective financial position of the governmental activities and each major fund as of December 31, 2018, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date listed below, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 21, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter. In addition, you have proposed closing journal entries and adjusting journal entries that have been posted to the District's accounts. We are in agreement with those adjustments.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which Minnehaha Creek Watershed District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Minnehaha Creek Watershed District or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have a process to track the status of audit findings and recommendations.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) Minnehaha Creek Watershed District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resource, and fund balance or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 25) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 26) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) As part of your audit, you assisted with preparation of the financial statements and related notes, preparation or assistance of preparation with workpapers as follows the fixed asset depreciation schedule and fixed asset summary, intergovernmental revenue summary, net asset lead and fund balance classifications, and deferred revenue summary, and the cash to accrual conversion. You also assisted with the workpapers for GASB 68 relating to pensions. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements, related notes, workpapers, the GASB 68 related amounts and the cash to accrual conversion.
- 29) Minnehaha Creek Watershed District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) Minnehaha Creek Watershed District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

- 32) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) We have appropriately disclosed the Minnehaha Creek Watershed District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 42) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

44) With respect to supplementary financial information:

- a) We acknowledge our responsibility for presenting the supplementary financial information in accordance with accounting principles generally accepted in the United States of America and we believe the supplementary financial information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary financial information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b) If the supplementary financial information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signed: _____ Signed: _____

Title: _____ Title: _____

Date: _____ Date: _____