

The above transfers will close out the following funds

- 1001 General Fund
- 3121 Low Impact Redevelopment

Resolution Number 14-027 was moved by Manager _____, seconded by Manager _____.
Motion to adopt the resolution _____ ayes, _____ nays, _____ abstentions. Date 3-26-15.

Jeff Casale, Secretary Date: _____

MINNEHAHA CREEK WATERSHED DISTRICT

ANNUAL FINANCIAL REPORT

December 31, 2014

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MINNEHAHA CREEK WATERSHED DISTRICT
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INTRODUCTORY SECTION

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Board of Managers:

Term Expires

Sherry Davis White - President

March, 2015

Brian Shekleton - Vice President

March, 2016

Dick Miller - Treasurer

March, 2017

Jeff Casale - Secretary

March, 2015

James Calkins

March, 2016

Pamela Blixt

March, 2017

Bill Olson

March, 2016

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Managers of the
Minnehaha Creek Watershed District
Deephaven, 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, 2014, 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, 2014, 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 District's 2013 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 March 27, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 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 on pages 36 through 38, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

The introductory section and other information section 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

_____, 2015

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BASIC FINANCIAL STATEMENTS

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MINNEHAHA CREEK WATERSHED DISTRICT

STATEMENT OF NET POSITION

Statement 1

December 31, 2014

With Comparative Totals For December 31, 2013

	Primary Government	
	Governmental Activities	
	2014	2013
Assets:		
Cash and investments	\$19,618,127	\$20,824,369
Accounts receivable - net	128,261	657
Due from other governments	580,567	382,568
Mortgage receivable	314,329	315,564
Prepaid item	42,289	19,148
Property taxes receivable:		
Delinquent	58,494	88,910
Due from county	36,159	61,352
Capital assets - net:		
Depreciable	3,180,042	1,977,673
Nondepreciable	29,923,101	29,845,301
Total assets	<u>53,881,369</u>	<u>53,515,542</u>
Liabilities:		
Accounts payable	444,650	423,240
Salaries payable	62,063	52,113
Due to other governments	1,174,400	1,105,921
Unearned revenue	205,500	53,180
Contracts payable	162,733	126,913
Rental deposits payable	50,340	50,340
Surety deposits payable	776,444	610,137
Accrued interest payable	39,885	220,213
Unamortized loan premiums	583,147	616,974
Compensated absences payable:		
Due within one year	3,155	16,001
Due in more than one year	99,833	86,943
Loans payable:		
Due within one year	1,710,000	685,000
Due in more than one year	28,600,000	30,310,000
Due to the City of Richfield:		
Due within one year	177,255	196,217
Due in more than one year	3,090,690	3,259,041
Total liabilities	<u>37,180,095</u>	<u>37,812,233</u>
Net position:		
Net investment in capital assets	2,209,996	211,000
Unrestricted	14,491,278	15,492,309
Total net position	<u>\$16,701,274</u>	<u>\$15,703,309</u>

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

MINNEHAHA CREEK WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2014
With Comparative Totals For The Year Ended December 31, 2013

Statement 2

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government Totals	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	2014	2013
Primary government:						
Governmental activities:						
General government	\$3,088,916	\$ -	\$ -	\$ -	(\$3,088,916)	(\$2,782,560)
Programs	1,720,655	93,610	114,649	-	(1,512,396)	(1,430,460)
Projects	3,456,108	1,384,462	701,281	-	(1,370,365)	(6,670,468)
Interest on long-term debt	964,000	-	-	-	(964,000)	(1,035,525)
Total governmental activities	<u>\$9,229,679</u>	<u>\$1,478,072</u>	<u>\$815,930</u>	<u>\$0</u>	<u>(6,935,677)</u>	<u>(11,919,013)</u>
General revenues:						
Property taxes					7,840,464	7,711,526
Grants and contributions not restricted to specific programs					561	606
Unrestricted investment earnings					80,993	90,054
Miscellaneous other					11,624	28,405
Total general revenues					<u>7,933,642</u>	<u>7,830,591</u>
Change in net position					997,965	(4,088,422)
Net position - January 1					<u>15,703,309</u>	<u>19,791,731</u>
Net position - December 31					<u>\$16,701,274</u>	<u>\$15,703,309</u>

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

MINNEHAHA CREEK WATERSHED DISTRICT

BALANCE SHEET

Statement 3

GOVERNMENTAL FUNDS

December 31, 2014

With Comparative Totals For December 31, 2013

Assets	General Fund	Management Planning Fund	Total Governmental Funds	
			2014	2013
Cash and investments	\$847,208	\$18,770,919	\$19,618,127	\$20,824,369
Accounts receivable - net	270	127,991	128,261	657
Due from other governments	-	580,567	580,567	382,568
Mortgage receivable	-	314,329	314,329	315,564
Prepaid item	20,703	155,461	176,164	19,148
Property taxes receivable:				
Delinquent	2,109	56,385	58,494	88,910
Due from county	36,159	-	36,159	61,352
Total assets	<u>\$906,449</u>	<u>\$20,005,652</u>	<u>\$20,912,101</u>	<u>\$21,692,568</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$48,179	\$396,471	\$444,650	\$423,240
Salaries payable	62,063	-	62,063	52,113
Due to other governments	17,654	1,156,746	1,174,400	1,105,921
Contracts payable	-	162,733	162,733	126,913
Rental deposit payable	-	50,340	50,340	50,340
Surety deposit payable	776,444	-	776,444	610,137
Unearned revenue	-	205,500	205,500	53,180
Total liabilities	<u>904,340</u>	<u>1,971,790</u>	<u>2,876,130</u>	<u>2,421,844</u>
Deferred inflows of resources:				
Unavailable revenue	2,109	370,714	372,823	404,474
Total deferred inflows of resources	<u>2,109</u>	<u>370,714</u>	<u>372,823</u>	<u>404,474</u>
Fund balance:				
Nonspendable	20,703	155,461	176,164	19,148
Restricted	-	-	-	1,868
Committed	-	-	-	316,904
Assigned	-	17,507,687	17,507,687	18,418,574
Unassigned	(20,703)	-	(20,703)	109,756
Total fund balance	<u>0</u>	<u>17,663,148</u>	<u>17,663,148</u>	<u>18,866,250</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$906,449</u>	<u>\$20,005,652</u>	<u>\$20,912,101</u>	<u>\$21,692,568</u>
Fund balance reported above			\$17,663,148	\$18,866,250
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.			33,103,143	31,822,974
Long-term liabilities, including compensated absences payable and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(34,303,965)	(35,390,389)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.			372,823	404,474
Debt interest is not considered an expenditure until due in the governmental funds and is reported as a prepaid item in the funds.			(133,875)	-
Net position of governmental activities			<u>\$16,701,274</u>	<u>\$15,703,309</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, 2014
With Comparative Totals For The Year Ended December 31, 2013

Statement 4

	General Fund	Management Planning Fund	Total Governmental Funds	
			2014	2013
Revenues:				
General property taxes	\$237,257	\$7,633,623	\$7,870,880	\$7,731,794
Intergovernmental - cost share	-	17,348	17,348	118,604
Intergovernmental - other	17	767,660	767,677	360,229
Permits	-	93,610	93,610	54,941
Investment income	-	80,993	80,993	90,054
Rental income	-	1,384,462	1,384,462	1,519,776
Other	4,636	8,223	12,859	28,405
Total revenues	<u>241,910</u>	<u>9,985,919</u>	<u>10,227,829</u>	<u>9,903,803</u>
Expenditures:				
Current:				
General government	260,369	2,731,071	2,991,440	2,706,899
Programs	-	1,705,916	1,705,916	1,698,140
Projects	-	3,454,808	3,454,808	4,286,676
Debt service:				
Principal	10,000	830,847	840,847	5,532,896
Interest	3,114	1,041,166	1,044,280	1,050,445
Issuance expense	-	-	-	93,551
Capital outlay - land/buildings/easements	5,228	1,388,412	1,393,640	1,810,671
Total expenditures	<u>278,711</u>	<u>11,152,220</u>	<u>11,430,931</u>	<u>17,179,278</u>
Revenues over (under) expenditures	<u>(36,801)</u>	<u>(1,166,301)</u>	<u>(1,203,102)</u>	<u>(7,275,475)</u>
Other financing sources (uses):				
Sale of land proceeds	-	-	-	98,004
Loans issued	-	-	-	7,075,000
Loan premium	-	-	-	319,754
Transfers in	-	2,325,147	2,325,147	771,396
Transfers out	(72,955)	(2,252,192)	(2,325,147)	(771,396)
Total other financing sources (uses)	<u>(72,955)</u>	<u>72,955</u>	<u>0</u>	<u>7,492,758</u>
Net change in fund balance	(109,756)	(1,093,346)	(1,203,102)	217,283
Fund balance - January 1	<u>109,756</u>	<u>18,756,494</u>	<u>18,866,250</u>	<u>18,648,967</u>
Fund balance - December 31	<u>\$0</u>	<u>\$17,663,148</u>	<u>\$17,663,148</u>	<u>\$18,866,250</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, 2014
With Comparative Totals For The Year Ended December 31, 2013

Statement 5

	<u>2014</u>	<u>2013</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)	(\$1,203,102)	\$217,283
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,280,169	713,236
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(31,651)	295,296
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.	872,313	(4,997,362)
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.	<u>80,236</u>	<u>(316,875)</u>
Change in net position of governmental activities (Statement 2)	<u><u>\$997,965</u></u>	<u><u>(\$4,088,422)</u></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 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.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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 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 funds:

General Fund - is the general operating fund of the District. It is used to account for financial resources to be used for general administrative expenses and for the construction and maintenance of projects of common benefit to the District. Pursuant to Minnesota Statutes 103 D.905 subd. 3, the District's general fund may levy an amount not to exceed .048 percent of taxable market value or \$250,000, whichever is less.

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.

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

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 General Fund and 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.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Investment income is allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

In accordance with the provisions of GASB No. 31, the District reports investments at fair value, based upon quoted market prices, in the financial statements. 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 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 estimated fair market value at the date of donation.

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

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 2014.

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.

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 is vested as severance pay is 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 Statement of Government Accounting Standards 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 the 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. INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

L. 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.

M. 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.

N. RECLASSIFICATIONS

Certain reclassifications were made to prior year amounts to conform with current year presentation.

O. 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.

P. 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 watershed has no items that qualify for reporting in this category.

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 one 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.

Q. COMPARATIVE TOTALS

The basic financial statements, required supplementary information and individual fund financial statements, include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

R. 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, 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 (\$34,303,965) difference is as follows:

Loans payable	(\$30,310,000)
Unamortized loan premium	(583,147)
Accrued interest payable	(39,885)
Compensated absences	(102,988)
Due to the City of Richfield	<u>(3,267,945)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities.	<u><u>(\$34,303,965)</u></u>

Another element of that reconciliation explains that “long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.” The detail of this \$372,823 difference is as follows:

Delinquent taxes	\$58,494
Mortgage receivable	<u>314,329</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$372,823</u></u>

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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 \$1,280,169 difference is as follows:

Capital outlay	\$1,393,640
Depreciation expense	<u>(113,471)</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>\$1,280,169</u></u>

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 (\$31,651) difference is as follows:

Unavailable revenue - general property taxes:	
At December 31, 2013	(\$88,910)
At December 31, 2014	58,494
Unavailable revenue - mortgage receivable:	
At December 31, 2013	(315,564)
At December 31, 2014	<u>314,329</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>(\$31,651)</u></u>

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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 principal of the long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$872,313 difference is as follows:

Loan principal repayments	\$685,000
Due to the City of Richfield repayments	<u>187,313</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>\$872,313</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 \$80,236 difference is as follows:

Amortization of debt premium/discount	\$33,827
Compensated absences	(44)
Accrued interest	180,328
Prepaid debt interest expensed on statement of activities	<u>(133,875)</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>\$80,236</u></u>

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;

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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- 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 deposit not covered by insurance of bonds. The District has no additional deposit policies addressing custodial credit risk. At December 31, 2014 the carrying amount of the District's deposits was \$19,618,127 and the bank balance was \$19,792,134. 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.
- 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.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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- 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 2014.

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 insitution 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.

Note 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2014 are as follows:

	Major Funds		Total
	General	Management Planning	
Delinquent property taxes	\$1,163	\$31,063	\$32,226
Mortgage receivable	-	312,963	312,963
Total	<u>\$1,163</u>	<u>\$344,026</u>	<u>\$345,189</u>

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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:

	Property Taxes	Mortgage Receivable	Total
General Fund	\$2,109	\$ -	\$2,109
Management Planning Fund	56,385	314,329	370,714
Total unavailable revenue	<u>\$58,494</u>	<u>\$314,329</u>	<u>\$372,823</u>

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$29,819,481	\$ -	\$ -	\$29,819,481
Easements	25,820	77,800	-	103,620
Total capital assets, not being depreciated	<u>29,845,301</u>	<u>77,800</u>	<u>0</u>	<u>29,923,101</u>
Capital assets, being depreciated:				
Buildings and improvements	3,624,170	52,279	-	3,676,449
Land improvements	-	1,237,357	-	1,237,357
Furniture	122,917	-	-	122,917
Equipment	170,102	-	-	170,102
Vehicle	120,692	26,204	-	146,896
Total capital assets, being depreciated	<u>4,037,881</u>	<u>1,315,840</u>	<u>0</u>	<u>5,353,721</u>
Less accumulated depreciation for:				
Buildings and improvements	1,848,044	61,201	-	1,909,245
Furniture	12,292	24,584	-	36,876
Equipment	127,515	11,945	-	139,460
Vehicle	72,357	15,741	-	88,098
Total accumulated depreciation	<u>2,060,208</u>	<u>113,471</u>	<u>0</u>	<u>2,173,679</u>
Total capital assets being depreciated - net	<u>1,977,673</u>	<u>1,202,369</u>	<u>-</u>	<u>3,180,042</u>
Governmental activities capital assets - net	<u>\$31,822,974</u>	<u>\$1,280,169</u>	<u>\$0</u>	<u>\$33,103,143</u>

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Depreciation expense was charged to function/programs of the District as follows:

Governmental activities:	
General government	\$97,432
Program	14,739
Projects	<u>1,300</u>
Total	<u><u>\$113,471</u></u>

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, 2014, the long-term debt of the financial reporting entity consisted of the following:

	Interest Rates	Date	Final Maturity Date	Original Issue	Payable 12/31/14
Loan payable:					
2010B Loan	2.00 - 3.50%	9/15/2010	12/1/2030	\$3,190,000	\$2,710,000
2011A Loan -1	2.00 - 4.00%	11/15/2011	12/1/2031	4,715,000	4,235,000
2011A Wells Fargo Loan	3.57%	9/1/2013	10/1/2018	15,000,000	15,000,000
2012 Wells Fargo Loan	varies*	11/13/2012	11/1/2032	2,000,000	1,800,000
2013B Loan	2.00 - 3.00%	6/1/2013	12/1/2032	7,075,000	6,565,000
Due to the City of Richfield	N/A	3/20/2013	2/1/2033	3,455,258	3,267,945
				<u>35,435,258</u>	<u>33,577,945</u>
Compensated absences payable					<u>102,988</u>
Total District indebtedness - governmental activities				<u><u>\$35,435,258</u></u>	<u><u>\$33,680,933</u></u>

* Variable rate, equal to federal funds target rate

	2010 B Loan		2011A 1 Loan		2011A Wells Fargo Loan		2012 Wells Fargo Loan		2013B Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest*	Principal	Interest
2015	\$135,000	\$83,413	\$185,000	\$156,769	\$1,000,000	\$535,500	\$100,000	\$29,728	\$290,000	\$173,538
2016	140,000	79,363	190,000	149,369	1,500,000	499,800	100,000	28,135	295,000	164,838
2017	145,000	75,163	195,000	141,769	2,500,000	446,250	100,000	26,453	305,000	155,988
2018	145,000	70,812	205,000	133,969	10,000,000	357,000	100,000	24,774	315,000	146,838
2019	150,000	66,463	215,000	125,769			100,000	23,094	325,000	137,387
2020-2024	825,000	263,112	1,195,000	496,344	-	-	500,000	90,383	1,765,000	545,537
2025-2029	960,000	129,662	1,410,000	283,105	-	-	500,000	48,312	1,960,000	345,150
2030-2034	210,000	7,350	640,000	38,600	-	-	300,000	8,820	1,310,000	79,350
Total	<u>\$2,710,000</u>	<u>\$775,338</u>	<u>\$4,235,000</u>	<u>\$1,525,694</u>	<u>\$15,000,000</u>	<u>\$1,838,550</u>	<u>\$1,800,000</u>	<u>\$279,699</u>	<u>\$6,565,000</u>	<u>\$1,748,626</u>

* Variable rate is reset each month, interest is estimated

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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, 2014 was as follows:

<u>Due to the City of Richfield</u>	
2015	\$177,255
2016	174,855
2017	177,405
2018	174,905
2019	172,405
2020-2024	853,525
2025-2029	852,296
2030-2033	685,299
Total	<u>\$3,267,945</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, 2014 was as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>01/01/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/14</u>	<u>One Year</u>
Governmental activities:					
2010B - Loan payable	\$2,840,000	\$ -	(\$130,000)	\$2,710,000	\$135,000
2011A 1 - Loan payable	4,410,000	-	(175,000)	4,235,000	185,000
2011A Wells Fargo Loan payable	15,000,000	-	-	15,000,000	1,000,000
2012 Loan payable	1,900,000	-	(100,000)	1,800,000	100,000
2013B - Loan payable	6,845,000	-	(280,000)	6,565,000	290,000
Due to the City of Richfield	3,455,258	-	(187,313)	3,267,945	177,255
Compensated absences	102,944	124,441	(124,397)	102,988	3,155
Total governmental activities	<u>\$34,553,202</u>	<u>\$124,441</u>	<u>(\$996,710)</u>	<u>\$33,680,933</u>	<u>\$1,890,410</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund. All notes and loans are liquidated by the Management Planning Fund, except for the 2012 loan which is partially liquidated by the General Fund.

Note 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

All full-time and certain part-time employees of the District are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statute, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after five years of credited service. The defined retirement 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651)296-7460 or 1-800-652-9026.

B. FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2014. The District was required to contribute the following percentages of annual covered payroll in 2014: 11.78% for Basic Plan GERF members and 7.25% for Coordinated Plan GERF members. The District's contribution to the Public Employees Retirement Fund for the years ended December 31, 2014, 2013 and 2012 were \$103,705, \$78,841, and \$90,833, respectively. The District's contributions were equal to the contractually required contributions for the years as set by state statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.5% for members and 7.5% for employers).

Note 8 CONTINGENCIES

The District is not aware of any existing or pending lawsuits, claims or other actions in which the District is a defendant that would be material to the financial statements.

MINNEHAHA CREEK WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 9 FUND BALANCE - CLASSIFICATIONS

At December 31, 2014, a summary of the governmental fund balance classifications are as follows:

	<u>Nonspendable Prepaid Item</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned for Water Management</u>	<u>Unassigned</u>	<u>Total</u>
General Fund	\$20,703	\$ -	\$ -	\$ -	(\$20,703)	\$ -
Management Planning Fund	155,461	-	-	17,507,687	-	17,663,148
Total fund balance	<u>\$176,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$17,507,687</u>	<u>(\$20,703)</u>	<u>\$17,663,148</u>

Note 10 FEDERALLY 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, 2014.

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. These 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, 2014

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>Vanderlinde</u>	<u>Downs</u>	<u>Yetzer</u>	<u>Brockpahler</u>	<u>Yetzer II</u>	<u>Total</u>
2015	\$1,560	\$750	\$3,295	\$2,420	\$9,398	\$17,423
2016	-	750	3,295	2,420	9,398	15,863
2017	-	-	3,295	2,420	9,398	15,113
2018	-	-	-	2,420	9,398	11,818
2019	-	-	-	2,420	9,398	11,818
Total	<u>\$1,560</u>	<u>\$1,500</u>	<u>\$9,885</u>	<u>\$12,100</u>	<u>\$46,990</u>	<u>\$72,035</u>

Note 13 COMMITTED CONTRACTS

At December 31, 2014, the District had commitments of \$466,964 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. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time.

Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

Statement No. 72 *Fair Value Measurement and Application.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statements 68 and 71 will have a material impact.

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REQUIRED SUPPLEMENTARY INFORMATION

DRAFT - 3-17-15

MINNEHAHA CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Statement 6

For The Year Ended December 31, 2014

With Comparative Actual Amounts For The Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
Revenues:					
General property taxes	\$237,869	\$237,869	\$237,257	(\$612)	\$238,343
Intergovernmental - other	-	-	17	17	19
Other	-	-	4,636	4,636	3,814
Total revenues	<u>237,869</u>	<u>237,869</u>	<u>241,910</u>	<u>4,041</u>	<u>242,176</u>
Expenditures:					
General government:					
Engineering	5,800	5,800	5,280	520	5,314
Legal	6,200	6,200	24,355	(18,155)	6,663
Wages	130,525	130,525	135,922	(5,397)	111,377
Manager's per diem and expenses	4,345	4,345	4,049	296	3,225
Accounting and auditing	7,500	7,500	10,812	(3,312)	8,343
Contract services	7,100	7,100	6,995	105	1,849
Insurance	2,750	2,750	3,867	(1,117)	2,840
Office supplies and postage	4,400	4,400	7,071	(2,671)	7,941
Other/miscellaneous/meetings	800	800	3,098	(2,298)	804
Payroll taxes and employee benefits	42,945	42,945	42,483	462	36,134
Printing/publications	1,150	1,150	791	359	1,217
Rent	6,770	6,770	1,220	5,550	8,840
Repairs and maintenance	50	50	4,858	(4,808)	3,329
Staff training and expenses	1,100	1,100	651	449	1,545
Telephone	3,000	3,000	3,715	(715)	3,477
Miscellaneous	300	300	5,202	(4,902)	7,052
Debt service:					
Principal	10,000	10,000	10,000	-	10,000
Interest	3,134	3,134	3,114	20	3,217
Capital outlay	-	-	5,228	(5,228)	13,021
Total expenditures	<u>237,869</u>	<u>237,869</u>	<u>278,711</u>	<u>(40,842)</u>	<u>236,188</u>
Revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>(36,801)</u>	<u>(36,801)</u>	<u>5,988</u>
Other financing sources (uses):					
Transfers out	-	-	(72,955)	(72,955)	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(72,955)</u>	<u>(72,955)</u>	<u>0</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	<u>(109,756)</u>	<u>(\$109,756)</u>	<u>5,988</u>
Fund balance - January 1			<u>109,756</u>		<u>103,768</u>
Fund balance - December 31 - see Note 9			<u>\$0</u>		<u>\$109,756</u>

MINNEHAHA CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MANAGEMENT PLANNING FUND
For The Year Ended December 31, 2014
With Comparative Actual Amounts For The Year Ended December 31, 2013

Statement 7

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
Revenues:					
General property taxes	\$7,657,439	\$7,657,439	\$7,633,623	(\$23,816)	\$7,493,451
Intergovernmental - cost share	-	-	17,348	17,348	118,604
Intergovernmental - other	50,869	50,869	767,660	716,791	360,210
Permits	-	-	93,610	93,610	54,941
Investment income	80,000	80,000	80,993	993	90,054
Rental income	-	-	1,384,462	1,384,462	1,519,776
Other	25,000	25,000	8,223	(16,777)	24,591
Total revenues	<u>7,813,308</u>	<u>7,813,308</u>	<u>9,985,919</u>	<u>2,172,611</u>	<u>9,661,627</u>
Expenditures:					
District operations and personnel	2,023,609	2,023,609	2,731,071	(707,462)	2,496,949
Programs	3,163,690	3,163,690	1,705,916	1,457,774	1,698,140
Project development	1,304,910	1,304,910	570,237	734,673	747,779
Project implementation	3,635,229	3,635,229	2,884,571	750,658	3,538,897
Debt service	1,975,943	1,975,943	1,872,013	103,930	6,663,675
Capital outlay - land/buildings/easements	677,982	677,982	1,388,412	(710,430)	1,797,650
Total expenditures	<u>12,781,363</u>	<u>12,781,363</u>	<u>11,152,220</u>	<u>1,629,143</u>	<u>16,943,090</u>
Revenues over (under) expenditures	<u>(4,968,055)</u>	<u>(4,968,055)</u>	<u>(1,166,301)</u>	<u>3,801,754</u>	<u>(7,281,463)</u>
Other financing sources (uses):					
Sale of land	-	-	-	-	98,004
Loans issued	-	-	-	-	7,075,000
Loan premium	-	-	-	-	319,754
Transfers in	-	-	2,325,147	2,325,147	771,396
Transfers out	-	-	(2,252,192)	(2,252,192)	(771,396)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>72,955</u>	<u>72,955</u>	<u>7,492,758</u>
Net change in fund balance	<u>(\$4,968,055)</u>	<u>(\$4,968,055)</u>	<u>(1,093,346)</u>	<u>\$3,874,709</u>	<u>211,295</u>
Fund balance - January 1			<u>18,756,494</u>		<u>18,545,199</u>
Fund balance - December 31 - see Note 9			<u>\$17,663,148</u>		<u>\$18,756,494</u>

MINNEHAHA CREEK WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
December 31, 2014

Note A **BUDGETS**

The General Fund and Management Planning Fund budgets are 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 General Fund and Management Planning Fund.

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INDIVIDUAL FUND FINANCIAL STATEMENTS

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MINNEHAHA CREEK WATERSHED DISTRICT
GENERAL FUND
COMPARATIVE BALANCE SHEET
 December 31, 2014
 With Comparative Amounts For December 31, 2013

Statement 8

Assets	<u>2014</u>	<u>2013</u>
Cash and investments	\$847,208	\$754,519
Accounts receivable - net	270	-
Prepaid item	20,703	-
Property taxes receivable:		
Delinquent	2,109	2,763
Due from county	36,159	61,352
	<u>\$906,449</u>	<u>\$818,634</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities:		
Accounts payable	\$48,179	\$20,326
Salaries payable	62,063	52,113
Due to other governments	17,654	23,539
Surety deposit payable	776,444	610,137
Total liabilities	<u>904,340</u>	<u>706,115</u>
Deferred inflows of resources:		
Unavailable revenue	2,109	2,763
Total deferred inflows of resources	<u>2,109</u>	<u>2,763</u>
Fund balance:		
Nonspendable	20,703	-
Unassigned	(20,703)	109,756
Total fund balance	<u>-</u>	<u>109,756</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$906,449</u>	<u>\$818,634</u>

MINNEHAHA CREEK WATERSHED DISTRICT
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
For The Year Ended December 31, 2014
With Comparative Amounts For The Year Ended December 31, 2013

Statement 9

	<u>2014</u>	<u>2013</u>
Revenues:		
General property taxes	\$237,257	\$238,343
Intergovernmental - other	17	19
Other	4,636	3,814
Total revenues	<u>241,910</u>	<u>242,176</u>
Expenditures:		
Current:		
General government	260,369	209,950
Debt service:		
Principle	10,000	10,000
Interest	3,114	3,217
Capital outlay	<u>5,228</u>	<u>13,021</u>
Total expenditures	<u>278,711</u>	<u>236,188</u>
Revenues over (under) expenditures	(36,801)	5,988
Other financing sources (uses):		
Transfer out	<u>(72,955)</u>	-
Total other financing sources (uses):	<u>(72,955)</u>	-
Net change in fund balance	(109,756)	
Fund balance - January 1	<u>109,756</u>	<u>103,768</u>
Fund balance - December 31	<u><u>\$0</u></u>	<u><u>\$109,756</u></u>

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
COMPARATIVE BALANCE SHEET
December 31, 2014
With Comparative Amounts For December 31, 2013

Statement 10

	<u>2014</u>	<u>2013</u>
Assets		
Cash and investments	\$18,770,919	\$20,069,850
Accounts receivable - net	127,991	657
Due from other governments	580,567	382,568
Mortgage receivable	314,329	315,564
Prepaid item	155,461	19,148
Property taxes receivable:		
Delinquent	<u>56,385</u>	<u>86,147</u>
Total assets	<u><u>\$20,005,652</u></u>	<u><u>\$20,873,934</u></u>
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities:		
Accounts payable	\$396,471	\$402,914
Due to other governments	1,156,746	1,082,382
Contracts payable	162,733	126,913
Rent deposits payable	50,340	50,340
Unearned revenue	<u>205,500</u>	<u>53,180</u>
Total liabilities	<u>1,971,790</u>	<u>1,715,729</u>
Deferred inflows of resources:		
Unavailable revenue	<u>370,714</u>	<u>401,711</u>
Total deferred inflows of resources	<u>370,714</u>	<u>401,711</u>
Fund balance:		
Nonspendable	155,461	19,148
Restricted	-	1,868
Committed	-	316,904
Assigned	<u>17,507,687</u>	<u>18,418,574</u>
Total fund balance	<u>17,663,148</u>	<u>18,756,494</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$20,005,652</u></u>	<u><u>\$20,873,934</u></u>

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
For The Year Ended December 31, 2014
With Comparative Amounts For The Year Ended December 31, 2013

Statement 11

	<u>2014</u>	<u>2013</u>
Revenues:		
General property taxes	\$7,633,623	\$7,493,451
Intergovernmental - cost share	17,348	118,604
Intergovernmental - other	767,660	360,210
Permits	93,610	54,941
Investment income	80,993	90,054
Rental income	1,384,462	1,519,776
Other	8,223	24,591
Total revenues	<u>9,985,919</u>	<u>9,661,627</u>
Expenditures:		
Current:		
General government	2,731,071	2,496,949
Programs	1,705,916	1,698,140
Projects	3,454,808	4,286,676
Debt service:		
Principal	830,847	5,522,896
Interest	1,041,166	1,047,228
Issuance expense	-	93,551
Capital outlay - land/buildings/easements	1,388,412	1,797,650
Total expenditures	<u>11,152,220</u>	<u>16,943,090</u>
Revenues over (under) expenditures	<u>(1,166,301)</u>	<u>(7,281,463)</u>
Other financing sources (uses):		
Sale of land proceeds	-	98,004
Loans issued	-	7,075,000
Loan premium	-	319,754
Transfers in	2,325,147	771,396
Transfers out	(2,252,192)	(771,396)
Total other financing sources (uses)	<u>72,955</u>	<u>7,492,758</u>
Net change in fund balance	(1,093,346)	211,295
Fund balance - January 1	<u>18,756,494</u>	<u>18,545,199</u>
Fund balance - December 31	<u><u>\$17,663,148</u></u>	<u><u>\$18,756,494</u></u>

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SUPPLEMENTARY FINANCIAL INFORMATION

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MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2014

Exhibit 1
Page 1 of 5

	1002 General	2101 Permit Administration	2102 Rule Revisions
Revenues:			
General property taxes	\$2,136,309	\$177,710	\$ -
Intergovernmental - cost share	-	-	-
Intergovernmental - other	151	13	-
Permits	-	93,610	-
Investment income	-	2,662	-
Rental income	-	-	-
Other	-	-	-
Total revenues	<u>2,136,460</u>	<u>273,995</u>	<u>0</u>
Expenditures:			
General government:			
District operations and personnel	2,290,088	31,628	-
Programs	-	357,509	11,833
Projects:			
Project development	-	-	-
Project implementation	-	-	-
Debt service:			
Principal	90,000	-	-
Interest	28,022	-	-
Capital outlay - land/buildings/easements	47,051	-	-
Total expenditures	<u>2,455,161</u>	<u>389,137</u>	<u>11,833</u>
Revenues over (under) expenditures	<u>(318,701)</u>	<u>(115,142)</u>	<u>(11,833)</u>
Other financing sources (uses):			
Transfers in	72,955	115,142	8,026
Transfers out	-	-	-
Total other financing sources (uses)	<u>72,955</u>	<u>115,142</u>	<u>8,026</u>
Net change in fund balance	(245,746)	0	(3,807)
Fund balance (deficit) - January 1	<u>1,495,657</u>	<u>-</u>	<u>3,807</u>
Fund balance (deficit) - December 31	<u><u>\$1,249,911</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2014

	2201 Hydro Database	2204 Vegetative Mgt. Study	2206 AIS Program	2301 Stewardship Grant Program
Revenues:				
General property taxes	\$310,617	\$2,374	\$414,955	\$120,075
Intergovernmental - cost share	-	-	-	-
Intergovernmental - other	22	-	29	9
Permits	-	-	-	-
Investment income	4,654	36	6,218	1,799
Rental income	-	-	-	-
Other	668	-	-	25
Total revenues	<u>315,961</u>	<u>2,410</u>	<u>421,202</u>	<u>121,908</u>
Expenditures:				
General government:				
District operations and personnel	42,074	-	115,596	-
Programs	238,963	7,060	324,739	81,129
Projects:				
Project development	-	-	-	-
Project implementation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay - land/buildings/easements	13,000	-	-	-
Total expenditures	<u>294,037</u>	<u>7,060</u>	<u>440,335</u>	<u>81,129</u>
Revenues over (under) expenditures	<u>21,924</u>	<u>(4,650)</u>	<u>(19,133)</u>	<u>40,779</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	21,924	(4,650)	(19,133)	40,779
Fund balance (deficit) - January 1	<u>203,516</u>	<u>6,230</u>	<u>368,884</u>	<u>15,030</u>
Fund balance (deficit) - December 31	<u><u>\$225,440</u></u>	<u><u>\$1,580</u></u>	<u><u>\$349,751</u></u>	<u><u>\$55,809</u></u>

2302 Education	2303 Communications	2310 Master Water Stewards Grant	2401 Watershed Planning	2406 Government Relations	2407 Joint Watershed Research
\$111,910	\$161,957	\$ -	\$210,032	\$30,173	\$ -
-	-	-	-	-	-
8	12	97,301	15	2	-
-	-	-	-	-	-
1,677	2,427	-	3,146	452	-
-	-	-	-	-	-
1,566	-	-	-	-	-
<u>115,161</u>	<u>164,396</u>	<u>97,301</u>	<u>213,193</u>	<u>30,627</u>	<u>0</u>
29,663	-	-	13,320	-	-
83,078	125,129	97,301	67,982	-	-
-	-	-	333,834	33,297	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>112,741</u>	<u>125,129</u>	<u>97,301</u>	<u>415,136</u>	<u>33,297</u>	<u>0</u>
2,420	39,267	0	(201,943)	(2,670)	0
-	-	-	-	2,399	-
-	-	-	-	-	(14,125)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,399</u>	<u>(14,125)</u>
2,420	39,267	0	(201,943)	(271)	(14,125)
-	33,191	-	429,669	271	155,538
<u>\$2,420</u>	<u>\$72,458</u>	<u>\$0</u>	<u>\$227,726</u>	<u>\$0</u>	<u>\$141,413</u>

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2014

	2408 Lake Management Plans	2501 Maintenance	3101 Lake Nokomis
Revenues:			
General property taxes	\$ -	\$151,106	\$ -
Intergovernmental - cost share	-	-	-
Intergovernmental - other	-	26,733	-
Permits	-	-	-
Investment income	-	2,264	-
Rental income	-	-	-
Other	-	-	-
Total revenues	<u>0</u>	<u>180,103</u>	<u>0</u>
Expenditures:			
General government:			
District operations and personnel	-	-	-
Programs	-	-	7,400
Projects:			
Project development	-	-	-
Project implementation	-	141,335	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay - land/buildings/easements	-	13,204	-
Total expenditures	<u>0</u>	<u>154,539</u>	<u>7,400</u>
Revenues over (under) expenditures	<u>0</u>	<u>25,564</u>	<u>(7,400)</u>
Other financing sources (uses):			
Transfers in	-	-	3,700
Transfers out	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>3,700</u>
Net change in fund balance	0	25,564	(3,700)
Fund balance (deficit) - January 1	<u>81,333</u>	<u>234,983</u>	<u>3,700</u>
Fund balance (deficit) - December 31	<u><u>\$81,333</u></u>	<u><u>\$260,547</u></u>	<u><u>\$0</u></u>

3102 Painters Creek / Jennings Bay	3103 60th / 1st	3106 Halstads Six-Mile Creek	3111 Special Projects Fund	3120 Minnehaha Creek Gorge	3121 Low Impact Redevelopment	3125 Minnehaha Creek Regional Infiltr.
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
-	-	-	-	-	-	-
-	-	-	20,623	-	69,121	-
-	-	-	-	-	1,388	-
1,229	-	102,867	-	3,522	310	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,229</u>	<u>0</u>	<u>102,867</u>	<u>20,623</u>	<u>3,522</u>	<u>70,819</u>	<u>0</u>
<u>(1,229)</u>	<u>0</u>	<u>(102,867)</u>	<u>(20,623)</u>	<u>(3,522)</u>	<u>(70,819)</u>	<u>0</u>
-	-	-	-	-	-	-
-	-	-	-	-	(888,911)	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(888,911)</u>	<u>0</u>
(1,229)	0	(102,867)	(20,623)	(3,522)	(959,730)	0
<u>171,696</u>	<u>2,338</u>	<u>288,890</u>	<u>161,855</u>	<u>453,435</u>	<u>959,730</u>	<u>465,516</u>
<u>\$170,467</u>	<u>\$2,338</u>	<u>\$186,023</u>	<u>\$141,232</u>	<u>\$449,913</u>	<u>\$0</u>	<u>\$465,516</u>

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2014

	3126 Big Island Wetland Restoration	3129 Plymouth / Gleason Lake GL- 4	3130 Cost Share Program
Revenues:			
General property taxes	\$ -	\$ -	\$ -
Intergovernmental - cost share	-	-	17,348
Intergovernmental - other	-	-	-
Permits	-	-	-
Investment income	-	-	-
Rental income	-	-	-
Other	-	-	-
Total revenues	<u>0</u>	<u>0</u>	<u>17,348</u>
Expenditures:			
General government:			
District operations and personnel	-	-	5,894
Programs	-	-	211,477
Projects:			
Project development	-	-	265
Project implementation	-	1,398	18,318
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay - land/buildings/easements	-	-	-
Total expenditures	<u>0</u>	<u>1,398</u>	<u>235,954</u>
Revenues over (under) expenditures	<u>0</u>	<u>(1,398)</u>	<u>(218,606)</u>
Other financing sources (uses):			
Transfers in	-	-	773,769
Transfers out	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>773,769</u>
Net change in fund balance	0	(1,398)	555,163
Fund balance (deficit) - January 1	<u>23,424</u>	<u>77,148</u>	<u>633,413</u>
Fund balance (deficit) - December 31	<u>\$23,424</u>	<u>\$75,750</u>	<u>\$1,188,576</u>

3133 Minnehaha Creek Reach - 19- 21	3135 Steiger Lake Pond	3137 Dutch Lake 5 Restoration	3139 Turbid Lake Phase I	3140 Taft/Legion Feasibility Study	3141 Minnehaha Creek Restoration Reach 14
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
424,468	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>424,468</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	135,263	2,990	-
533,516	57,407	9,734	-	-	23,015
-	-	-	-	155,847	-
-	-	-	-	-	-
1,237,357	-	-	-	-	-
<u>1,770,873</u>	<u>57,407</u>	<u>9,734</u>	<u>135,263</u>	<u>158,837</u>	<u>23,015</u>
<u>(1,346,405)</u>	<u>(57,407)</u>	<u>(9,734)</u>	<u>(135,263)</u>	<u>(158,837)</u>	<u>(23,015)</u>
1,349,156	-	-	-	-	-
-	-	-	-	-	-
<u>1,349,156</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
2,751	(57,407)	(9,734)	(135,263)	(158,837)	(23,015)
468,795	219,137	42,423	526,598	220,826	65,068
<u>\$471,546</u>	<u>\$161,730</u>	<u>\$32,689</u>	<u>\$391,335</u>	<u>\$61,989</u>	<u>\$42,053</u>

MINNEHAHA CREEK WATERSHED DISTRICT
MANAGEMENT PLANNING FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM/PROJECT
For The Year Ended December 31, 2014

	3142 Long Lake Creek Project	3144 Halstad Bay Internal Loading	3145 Blake Road Stormwater Management
Revenues:			
General property taxes	\$ -	\$106,642	\$970,809
Intergovernmental - cost share	-	-	-
Intergovernmental - other	-	8	69
Permits	-	-	-
Investment income	-	1,598	14,546
Rental income	-	-	-
Other	-	-	-
Total revenues	<u>0</u>	<u>108,248</u>	<u>985,424</u>
Expenditures:			
General government:			
District operations and personnel	-	-	-
Programs	-	-	2,572
Projects:			
Project development	-	-	4,870
Project implementation	113,504	-	143,203
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay - land/buildings/easements	-	-	77,800
Total expenditures	<u>113,504</u>	<u>0</u>	<u>228,445</u>
Revenues over (under) expenditures	<u>(113,504)</u>	<u>108,248</u>	<u>756,979</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(113,504)	108,248	756,979
Fund balance (deficit) - January 1	<u>619,360</u>	<u>51,788</u>	<u>121,666</u>
Fund balance (deficit) - December 31	<u><u>\$505,856</u></u>	<u><u>\$160,036</u></u>	<u><u>\$878,645</u></u>

3146 Cottageville Park	3201 Land Conservation	3202 District Land Restoration	3203 Habitat Restoration Initiative	4202 Information Technology	5000 Cold Storage	Total All Projects
\$ -	\$2,401,487	\$107,085	\$35,170	\$148,892	\$36,320	\$7,633,623
-	-	-	-	-	-	17,348
218,625	170	8	3	11	3	767,660
-	-	-	-	-	-	93,610
-	34,543	1,604	527	2,231	609	80,993
-	-	-	-	-	1,384,462	1,384,462
-	-	5,946	-	-	18	8,223
<u>218,625</u>	<u>2,436,200</u>	<u>114,643</u>	<u>35,700</u>	<u>151,134</u>	<u>1,421,412</u>	<u>9,985,919</u>
-	-	-	-	74,007	128,801	2,731,071
-	-	-	-	-	-	1,705,916
-	57,704	-	-	626	-	570,237
305,251	48,285	83,626	17,424	3,251	1,277,376	2,884,571
-	585,000	-	-	-	-	830,847
-	1,013,144	-	-	-	-	1,041,166
-	-	-	-	-	-	1,388,412
<u>305,251</u>	<u>1,704,133</u>	<u>83,626</u>	<u>17,424</u>	<u>77,884</u>	<u>1,406,177</u>	<u>11,152,220</u>
<u>(86,626)</u>	<u>732,067</u>	<u>31,017</u>	<u>18,276</u>	<u>73,250</u>	<u>15,235</u>	<u>(1,166,301)</u>
-	-	-	-	-	-	2,325,147
-	(1,349,156)	-	-	-	-	(2,252,192)
<u>0</u>	<u>(1,349,156)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>72,955</u>
(86,626)	(617,089)	31,017	18,276	73,250	15,235	(1,093,346)
-	9,706,099	332,113	(1,894)	(3,677)	118,938	18,756,494
<u>(\$86,626)</u>	<u>\$9,089,010</u>	<u>\$363,130</u>	<u>\$16,382</u>	<u>\$69,573</u>	<u>\$134,173</u>	<u>\$17,663,148</u>

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OTHER INFORMATION SECTION - UNAUDITED

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MINNEHAHA CREEK WATERSHED DISTRICT
MARKET VALUES BY WATERSHED - UNAUDITED

For Taxes Payable in 2014

Watershed	Estimated Market Value		
	Personal	Real	Total
1 Nine Mile Creek	\$83,041,700	\$15,606,257,000	\$15,689,298,700
2 Lower MN River	428,755,400	2,680,272,700	3,109,028,100
3 Minnehaha Creek	216,662,700	37,205,731,300	37,422,394,000
4 Riley Purgatory	79,985,000	8,958,424,100	9,038,409,100
5 Rice Creek	459,400	121,849,000	122,308,400
6 Middle Mississippi	171,094,700	19,034,004,000	19,205,098,700
7 Bassett Creek	72,980,600	10,869,943,800	10,942,924,400
8 Shingle Creek	50,517,200	9,572,997,100	9,623,514,300
9 West Mississippi Watershed	-	4,614,653,000	4,614,653,000
County total	<u>\$1,103,496,700</u>	<u>\$108,664,132,000</u>	<u>\$109,767,628,700</u>

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

Taxable Market Value			Referendum Market Value		
Personal	Real	Total	Personal	Real	Total
\$83,041,700	\$15,096,149,144	\$15,179,190,844	\$83,041,700	\$15,557,021,764	\$15,640,063,464
428,755,400	2,540,975,562	2,969,730,962	428,755,400	2,661,461,475	3,090,216,875
216,662,700	35,984,084,710	36,200,747,410	216,662,700	36,949,771,820	37,166,434,520
79,985,000	8,662,204,103	8,742,189,103	79,985,000	8,928,424,750	9,008,409,750
459,400	112,457,371	112,916,771	459,400	121,065,000	121,524,400
170,338,951	18,225,245,048	18,395,583,999	171,094,700	18,874,217,160	19,045,311,860
72,980,600	10,351,782,993	10,424,763,593	72,980,600	10,831,491,550	10,904,472,150
50,517,200	8,715,908,295	8,766,425,495	50,517,200	9,511,157,585	9,561,674,785
-	4,180,294,305	4,180,294,305	-	4,555,361,900	4,555,361,900
<u>\$1,102,740,951</u>	<u>\$103,869,101,531</u>	<u>\$104,971,842,482</u>	<u>\$1,103,496,700</u>	<u>\$107,989,973,004</u>	<u>\$109,093,469,704</u>

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MINNEHAHA CREEK WATERSHED DISTRICT
SCHEDULE OF EXPENDITURES - LAND CONSERVATION AND COLD STORAGE
ACCOUNTS 3201 AND 5000

	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>
	Land Conservation and Cold Storage		
Expenses:			
Operations and projects	<u>\$123,978</u>	<u>\$238,229</u>	<u>\$598,187</u>
Capital outlay:			
Chute Property	1,539,050	-	-
Dierks property	2,710,383	-	-
Waldera prop.	-	539,963	-
Rye Prop.	-	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)	-	-	-
Cold Storage Facility	-	-	-
7701 Halstead Drive	-	-	-
1308 Lake Street	-	-	-
1312 Lake Street	-	-	-
Katy Hills Easement	-	-	-
Capitalized for audit	<u>4,249,433</u>	<u>957,989</u>	<u>3,060,858</u>
Building purchases not capitalized****	-	-	2,045,000
Total capital outlay	<u>4,249,433</u>	<u>957,989</u>	<u>5,105,858</u>
Total expenditures**	<u><u>\$4,373,411</u></u>	<u><u>\$1,196,218</u></u>	<u><u>\$5,704,045</u></u>

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

**** This was the portion of the Ugerots 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, not a capital asset to depreciate.

<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>Total</u>
Land Conservation and Cold Storage				
<u>\$1,038,972</u>	<u>\$1,511,286</u>	<u>\$1,645,924</u>	<u>\$1,512,166</u>	<u>\$6,668,742</u>
-	-	-	-	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	-	-	-	2,316,264
15,118,964	-	-	-	15,118,964
-	2,278,518	-	-	2,278,518
-	192,235	-	-	192,235
-	182,436	-	-	182,436
-	56,774	-	-	56,774
<u>17,435,228</u>	<u>2,709,963</u>	<u>-</u>	<u>-</u>	<u>28,413,471</u>
-	-	-	-	2,045,000
<u>17,435,228</u>	<u>2,709,963</u>	<u>0</u>	<u>0</u>	<u>30,458,471</u>
<u>\$18,474,200</u>	<u>\$4,221,249</u>	<u>\$1,645,924</u>	<u>\$1,512,166</u>	<u>\$37,127,213</u>

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OTHER REPORTS

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REPORT ON INTERNAL CONTROL

To the Board of Managers and Management
Minnehaha Creek Watershed District
Deephaven, 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, 2014, 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. 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 Organization, 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

_____, 2015

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MINNESOTA LEGAL COMPLIANCE REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Minnehaha Creek Watershed District as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated _____, 2015.

The *Minnesota Legal Compliance Audit Guide for 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, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories.

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 Political Subdivisions*, except as described as finding 2014-001. 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

_____, 2015

2014-001 Report and Payment of Abandoned Property

Criteria: Minnesota Statute 345.41 requires a report of uncashed checks outstanding for more than three years be filed with the Minnesota Commissioner of Commerce.

345.41 Report of abandoned property.

(a) Every person holding funds or other property, tangible or intangible, presumed abandoned under sections [345.31](#) to [345.60](#) shall report annually to the commissioner with respect to the property as hereinafter provided.

(b) The report shall be verified and shall include:

(1) except with respect to traveler's checks and money orders, the name, if known, and last known address, if any, of each person appearing from the records of the holder to be the owner of any property of the value of \$100 or more presumed abandoned under sections [345.31](#) to [345.60](#);

(2) in case of unclaimed funds of life insurance corporations, the full name of the policyholder, insured or annuitant and that person's last known address according to the life insurance corporation's records;

(3) the nature and identifying number, if any, or description of the property and the amount appearing from the records to be due, except that items of value under \$100 each may be reported in aggregate;

(4) the date when the property became payable, demandable or returnable, and the date of the last transaction with the owner with respect to the property; and

(5) other information which the commissioner prescribes by rule as necessary for the administration of sections [345.31](#) to [345.60](#).

(c) If the person holding property presumed abandoned is a successor to other persons who previously held the property for the owner, or if the holder has changed a name while holding the property, the holder shall file with the report all prior known names and addresses of each holder of the property.

(d) The report shall be filed before November 1 of each year as of June 30 next preceding, but the report of life insurance corporations shall be filed before October 1 of each year as of December 31 next preceding. The commissioner may postpone the reporting date upon written request by any person required to file a report.

(e) Not more than 120 days before filing the report required by this section, the holder in possession of property abandoned and subject to custody as unclaimed property under this chapter shall send written notice to the presumed owner at that owner's last known address informing the owner that the holder is in possession of property subject to this chapter and advising the owner of the steps necessary to prevent abandonment if:

(1) the holder has in its records an address for the presumed owner that the holder's records do not disclose to be inaccurate;

(2) the claim of the apparent owner is not barred by the statute of limitations; and

(3) the property has a value of \$100 or more.

(f) Verification, if made by a partnership, shall be executed by a partner; if made by an unincorporated association or private corporation, by an officer, and if made by a public corporation, by its chief fiscal officer.

(g) Holders of property described in section [345.32](#) shall not impose any charges against property which is described in section [345.32](#), clause (a), (b) or (c).

(h) Any person who has possession of property which the person has reason to believe will be reportable in the future as unclaimed property may, with the permission of the commissioner, report and deliver such property prior to the date required for reporting in accordance with this section.

(i) Before the last day of each calendar year, the commissioner of revenue shall report to the commissioner as unclaimed property under this section any uncashed checks or warrants for overpayments of taxes that were issued more than two years preceding the date of the report.

HIST: 1969 c 725 s 11; 1977 c 137 s 8; 1983 c 301 s 193; 1985 c 251 s 11; 1986 c 444; 1993 c 31 s 1; 1996 c 439 art 1 s 18; 1Sp2001 c 5 art 20 s 16

Condition: According to the District's outstanding check listing as of December 31, 2014, 1 check totaling \$1,015 had been outstanding for greater than three years.

Cause: As of December 31, 2014 the District had not filed a report with the Commissioner of Commerce listing the checks as abandoned property.

Effect: The effect of noncompliance is not determinable.

Recommendation: We understand that in 2015 the District began the process of notifying vendors, re-issuing checks if necessary and reporting to the Commissioner of Commerce a listing of checks as abandoned property. We recommend this process be done on a timely basis in future years in order to comply with State Statutes.

Views of Responsible Officials and Corrective Action Plan: The District agrees with the findings and will implement new controls as described in the 2014 audit.

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Honorable Managers of the
Minnehaha Creek Watershed District
Deephaven, 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, 2014. 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 January 9, 2015. 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 2014. 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 District does not have any significant sensitive estimates affecting the financial statements.

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 were no uncorrected misstatements that have an effect on our opinion on the financial statements. There were no corrected misstatements identified during the audit.

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 _____, 2015.

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.

During the course of our audit, it was brought to our attention that a few of the tenants in the cold storage facility have a pay per palette lease. Per discussion with the contracted facility manager of the building, they, along with a District staff do a monthly walkthrough of the facility; however, they do not count the number of pallets. We recommend that District staff do a quarterly count of the pallets and compare to the totals submitted for lease payment calculation.

It was also brought to our attention that there was a letter submitted to the Office of the State Auditor regarding a potential misuse of District funds in prior years. We obtained an understanding of the issue and performed additional expenditure testing in the current year. We did not identify any misuse of District funds in the current year.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules, 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 individual fund financial statements and supplementary financial information section, which accompany the financial statements but are 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 section and the other information section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and 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 Required Reports section of the audited financial statements document.

Restriction on Use

This information is intended solely for the 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

_____, 2015