

**SOUTH WASHINGTON WATERSHED DISTRICT**

ANNUAL FINANCIAL REPORT

December 31, 2014

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## **INTRODUCTORY SECTION**

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**SOUTH WASHINGTON WATERSHED DISTRICT**

**LIST OF APPOINTED OFFICIALS**

December 31, 2014

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**BOARD OF MANAGERS**

President	Jack Lavold
Vice-President	Dennis Hanna
Vice-President	Brian Johnson
Treasurer	Mike Madigan
Secretary	Don Pereira

**APPOINTED OFFICIALS**

Administrator	Matt Moore
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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Managers  
South Washington Watershed District  
Woodbury, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of South Washington Watershed District, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise South Washington 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 South Washington 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 South Washington 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 April 23, 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 38 and 39, 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 South Washington Watershed District's basic financial statements. The introductory section, individual fund financial statements, supplementary financial information, and other information 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 and other information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Redpath and Company, Ltd.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

March 27, 2015

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## **BASIC FINANCIAL STATEMENTS**

**SOUTH WASHINGTON WATERSHED DISTRICT**

STATEMENT OF NET POSITION

**Statement 1**

December 31, 2014

With Comparative Totals For December 31, 2013

	Governmental Activities	
	2014	2013
<b>Assets:</b>		
Cash and investments	\$14,591,892	\$13,782,534
Restricted cash and investments	1,284,412	1,513,039
Accounts receivable	1,452	4,095
Due from other governments	359,159	499,211
Taxes receivable:		
Delinquent	10,149	12,370
Due from county	3,028	4,818
Stormwater utility fees receivable:		
Delinquent	35,373	40,576
Due from county	12,231	22,414
Prepaid items	15,096	13,036
Capital assets - net:		
Depreciable	611,708	627,616
Nondepreciable	12,289,502	12,278,590
Total assets	<u>29,214,002</u>	<u>28,798,299</u>
<b>Liabilities:</b>		
Accounts payable	340,783	626,254
Salaries payable	6,116	5,525
Contracts payable	25,607	367,592
Accrued interest payable	61,857	68,657
Unearned revenue	69,608	34,345
Unamortized bond premium	54,272	67,330
Compensated absences payable:		
Due within one year	13,031	10,525
Bonds payable:		
Due within one year	605,000	565,000
Due in more than one year	4,605,000	5,210,000
Total liabilities	<u>5,781,274</u>	<u>6,955,228</u>
<b>Net position:</b>		
Net investment in capital assets	8,904,152	8,559,721
Restricted for:		
Debt service	386,353	339,492
Unrestricted	14,142,223	12,943,858
Total net position	<u>\$23,432,728</u>	<u>\$21,843,071</u>

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



**SOUTH WASHINGTON WATERSHED DISTRICT**

**STATEMENT OF ACTIVITIES**

**Statement 2**

For The Year Ended December 31, 2014

With Comparative Totals For The Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2014	2013
Primary government:						
Governmental activities:						
General government	\$414,436	\$6,500	\$ -	\$ -	(\$407,936)	(\$283,509)
Programs	143,788	-	-	-	(143,788)	(424,959)
Projects	1,375,113	2,836,529	106,926	-	1,568,342	1,640,668
Interest on long-term debt	175,912	-	-	-	(175,912)	(194,082)
Total governmental activities	<u>\$2,109,249</u>	<u>\$2,843,029</u>	<u>\$106,926</u>	<u>\$0</u>	<u>840,706</u>	<u>738,118</u>
General revenues:						
Property taxes					739,580	710,991
Grants and contributions not restricted to specific programs					344	351
Unrestricted investment earnings					2,118	3,974
Miscellaneous other					6,909	12,063
Total general revenues					<u>748,951</u>	<u>727,379</u>
Change in net position					<u>1,589,657</u>	<u>1,465,497</u>
Net position - January 1, as restated					<u>21,843,071</u>	<u>20,377,574</u>
Net position - December 31					<u>\$23,432,728</u>	<u>\$21,843,071</u>

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

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2014  
With Comparative Totals For December 31, 2013

**Statement 3**

Assets	General Fund	Planning and Implementation	Debt Service	Total Governmental Funds	
				2014	2013
Cash and investments	\$411,652	\$13,762,260	\$417,980	\$14,591,892	\$13,782,534
Restricted cash and investments	-	1,275,674	8,738	1,284,412	1,513,039
Accounts receivable	1,452	-	-	1,452	4,095
Due from other governments	-	359,159	-	359,159	499,211
Taxes receivable:					
Delinquent	3,262	6,887	-	10,149	12,370
Due from county	1,178	1,850	-	3,028	4,818
Stormwater utility fees receivable:					
Delinquent	-	17,306	18,067	35,373	40,576
Due from county	-	8,806	3,425	12,231	22,414
Prepaid items	15,096	-	-	15,096	13,036
Total assets	<u>\$432,640</u>	<u>\$15,431,942</u>	<u>\$448,210</u>	<u>\$16,312,792</u>	<u>\$15,892,093</u>
Liabilities, deferred inflows of resources, and fund balance					
Liabilities:					
Accounts payable	\$44,132	\$296,651	\$ -	\$340,783	\$626,254
Salaries payable	3,162	2,954	-	6,116	5,525
Contracts payable	-	25,607	-	25,607	367,592
Unearned revenue	-	69,608	-	69,608	34,345
Total liabilities	<u>47,294</u>	<u>394,820</u>	<u>0</u>	<u>442,114</u>	<u>1,033,716</u>
Deferred inflows of resources:					
Unavailable revenue	<u>3,262</u>	<u>364,193</u>	<u>18,067</u>	<u>385,522</u>	<u>412,946</u>
Fund balance:					
Nonspendable	15,096	-	-	15,096	13,036
Restricted	-	1,267,214	430,143	1,697,357	1,890,544
Committed	-	13,345,890	-	13,345,890	12,113,228
Assigned	-	59,825	-	59,825	46,564
Unassigned	366,988	-	-	366,988	382,059
Total fund balance	<u>382,084</u>	<u>14,672,929</u>	<u>430,143</u>	<u>15,485,156</u>	<u>14,445,431</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$432,640</u>	<u>\$15,431,942</u>	<u>\$448,210</u>	<u>\$16,312,792</u>	<u>\$15,892,093</u>
Fund balance reported above				\$15,485,156	\$14,445,431
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.				12,901,210	12,906,206
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.				385,522	412,946
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(5,339,160)</u>	<u>(5,921,512)</u>
Net position of governmental activities				<u>\$23,432,728</u>	<u>\$21,843,071</u>

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

**SOUTH WASHINGTON 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	Planning and Implementation	Debt Service	Total Governmental Funds	
				2014	2013
<b>Revenues:</b>					
General property taxes	\$287,533	\$454,268	\$ -	\$741,801	\$710,388
Stormwater utility fees	-	2,045,056	796,676	2,841,732	2,811,903
Permits	-	6,500	-	6,500	-
Intergovernmental	133	127,137	-	127,270	678,738
Investment income	171	1,479	468	2,118	3,974
Other	1,630	5,279	-	6,909	12,063
Total revenues	<u>289,467</u>	<u>2,639,719</u>	<u>797,144</u>	<u>3,726,330</u>	<u>4,217,066</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	301,978	109,952	-	411,930	281,971
Programs	-	143,788	-	143,788	424,959
Projects	-	1,369,187	-	1,369,187	5,731,640
<b>Debt service:</b>					
Principal retirement	-	-	565,000	565,000	545,000
Interest	-	-	195,770	195,770	215,770
Fiscal agent fees and other charges	-	-	930	930	425
Total expenditures	<u>301,978</u>	<u>1,622,927</u>	<u>761,700</u>	<u>2,686,605</u>	<u>7,199,765</u>
Revenues over (under) expenditures	(12,511)	1,016,792	35,444	1,039,725	(2,982,699)
Fund balance - January 1	<u>394,595</u>	<u>13,656,137</u>	<u>394,699</u>	<u>14,445,431</u>	<u>17,428,130</u>
Fund balance - December 31	<u><u>\$382,084</u></u>	<u><u>\$14,672,929</u></u>	<u><u>\$430,143</u></u>	<u><u>\$15,485,156</u></u>	<u><u>\$14,445,431</u></u>

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

**SOUTH WASHINGTON 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 Amounts 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)	\$1,039,725	(\$2,982,699)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(27,424)	(23,188)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(4,996)	3,906,234
The issuance of long-term debt (e.g., bonds, leases) 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:		
Principal retirement	565,000	545,000
Amortization of bond premium	13,058	13,058
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>4,294</u>	<u>7,092</u>
Change in net position of governmental activities (Statement 2)	<u><u>\$1,589,657</u></u>	<u><u>\$1,465,497</u></u>

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

**SOUTH WASHINGTON WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the South Washington Watershed District (the District) conform to generally accepted accounting principles (GAAP) applicable to governmental units. The following is a summary of significant accounting policies.

**A. FINANCIAL REPORTING ENTITY**

The District was originally created on August 25, 1993 under the name of Cottage Grove Ravine Watershed District by the Minnesota Board of Water and Soil Resources (the Board) as provided in Minnesota Statutes Chapter 103D. In July 1994, the District changed its name to South Washington Watershed District.

The District is operated by a five member Board of Managers originally appointed by the Board. Subsequent appointments will be made by Washington County.

In accordance with Governmental Accounting Standards Board (GASB) pronouncements and GAAP, the financial statements of the reporting entity include the primary government and its component units. Generally, component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District (primary government) does not have any component units nor is it a component unit of any other governmental unit.

**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 and its component units. 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*, which rely to a significant extent on fees and charges for support. There are no *business-type activities*, which rely to a significant extent on fees and charges for support.

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 or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or *business-type activity*. Taxes and other items not included among program revenues are reported instead as *general revenues*.

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

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

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

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

Planning and Implementation Fund - is established to account for expenditures related to the preparation and implementation of the Watershed Management Plan. Property taxes and stormwater fees are committed for planning and implementation.

Debt Service Fund - is established to account for the accumulation of resources for, and the payment of principal, interest and related costs of the \$3,945,000 General Obligation Crossover Bonds of 2011 and the \$2,795,000 General Obligation Crossover Refunding Bonds of 2007.

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

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

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contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for an allowable use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. BUDGETS**

Budgets are legally adopted on a basis consistent with GAAP. Annual appropriated budgets are legally adopted for the General Fund. Budgeted expenditure appropriations lapse at year end. Excess funds are rolled over each year.

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

**E. LEGAL COMPLIANCE – BUDGETS**

The District prepares annual revenue and expenditure budgets for the District's General Fund. The District monitors budget performance on the fund basis.

- The operating budget includes proposed expenditures and the means of financing them.
- A public comment hearing is held to obtain taxpayer comment.
- The budget is legally adopted by Board resolution.
- All amounts over budget have been approved by the Board through the budget extension process.

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 does not prepare an annual expenditure/appropriations budget for its Special Revenue Fund.

**F. 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.

Investments are stated at fair value, based upon quoted market prices, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Investment income is accrued at the balance sheet date.

**G. PROPERTY TAX REVENUE RECOGNITION**

The Board of Managers annually adopts a tax levy and certifies it to the County in December (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 District 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.

**H. INVENTORIES**

The original cost of materials and supplies has been recorded as expenditures at the time of purchase. These funds do not maintain material amounts of inventories.

**I. 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.



**SOUTH WASHINGTON WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

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**J. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and infrastructure assets and intangible assets such as easements and 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 effective with the beginning of the 2004 calendar year. 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 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 did not acquire intangible assets in years prior to 2010 that required retroactive reporting. The District did not acquire any intangible assets since the implementation of GASB No. 51.

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

Infrastructure	48-50 years
----------------	-------------

**K. LONG-TERM OBLIGATIONS**

In the government-wide financial statements long-term debt is reported as a liability in the applicable governmental activities fund type statement of net position. Material bond premiums and discounts are amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**L. 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 Board and/or management.

*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.

**M. 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.

**N. COMPENSATED ABSENCES**

It is the District's policy to permit employees to accumulate earned but unused paid time off (PTO) benefits. All PTO benefits that are vested as severance pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the 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.

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**O. USE OF ESTIMATES**

The preparation of financial statements in accordance with 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.

**P. RECLASSIFICATIONS**

Certain reclassifications were made to prior year amounts to conform to current year classification.

**Q. COMPARATIVE TOTALS**

The basic financial statements, required supplementary information, individual fund financial statements and supplementary financial information include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. 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. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has 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 District 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 the following sources: property taxes, due from other governmental units, and storm water utility fees.

**SOUTH WASHINGTON WATERSHED DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
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**S. 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 bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds”. The details of this (\$5,339,160) difference are as follows:

Bonds payable	(\$5,210,000)
Accrued interest payable	(61,857)
Compensated absences	(13,031)
Unamortized bond premium	<u>(54,272)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	   <u><u>(\$5,339,160)</u></u>

**SOUTH WASHINGTON 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 balance 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 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 (\$27,424) difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2013	(\$12,370)
At December 31, 2014	10,149
Unavailable revenue - stormwater utility fees:	
At December 31, 2013	(40,576)
At December 31, 2014	35,373
Unavailable revenue - intergovernmental revenue:	
At December 31, 2013	(360,000)
At December 31, 2014	<u>340,000</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>(\$27,424)</u></u>

Another 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 details of this (\$4,996) difference are as follows:

Capital outlay	\$10,912
Depreciation expense	<u>(15,908)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>(\$4,996)</u></u>

**SOUTH WASHINGTON WATERSHED DISTRICT**  
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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 \$4,294 difference are as follows:

Accrued interest payable:	
At December 31, 2013	\$68,657
At December 31, 2014	(61,857)
Compensated absences payable:	
At December 31, 2013	10,525
At December 31, 2014	<u>(13,031)</u>
Net adjustments to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>\$4,294</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’s Board, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all of the District’s 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’s Treasurer or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes and treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;
- d) 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

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

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- f) Time deposits that are fully insured by any federal agency.

The District does not have deposits at December 31, 2014.

**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 acceptances of United States banks.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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As of December 31, 2014, the District had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)			
			Less Than 1	1-5	6-10	Over 10 Years
External investment pool - 4M Fund	*	\$14,591,892	\$14,591,892	\$ -	\$ -	\$ -
Money market	*	1,284,412	1,284,412	-	-	-
Total		\$15,876,304	\$15,876,304	\$0	\$0	\$0
* Not Rated			Total investments			\$15,876,304

Following is a reconciliation of the District's cash and investment balances as of December 31, 2014:

Cash and investments	\$14,591,892
Restricted cash and investments	1,284,412
Total	<u>\$15,876,304</u>

**C. INVESTMENT RISKS**

**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 does not have an investment policy which further limits its investment choices.

The District's external investment pool investment is with the 4M Fund which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unrated 2a7-like pool and the fair value of the positions in the pool is the same as the value of pool shares.

**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 does not have an investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**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 does not have an investment policy which addresses the concentration of credit risk.

**Custodial Credit Risk.** 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 investments securities that are in the possession of an outside party. As of December 31, 2014, the District had \$14,591,892 in investments that were invested in an external investment pool and \$1,284,412 in a money market. Investments in external investment pools and money markets are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures.



**SOUTH WASHINGTON WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 3 RECEIVABLES**

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

	<u>General Fund</u>	<u>Planning and Implementation</u>	<u>Debt Service</u>	<u>Total</u>
Delinquent property taxes receivable	\$2,500	\$5,000	\$ -	\$7,500
Delinquent stormwater utility fees	-	8,000	8,500	16,500
Due from other governments	-	320,000	-	320,000
 Total	 <u>\$2,500</u>	 <u>\$333,000</u>	 <u>\$8,500</u>	 <u>\$344,000</u>

**Note 4 UNAVAILABLE REVENUE**

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 and reported in the governmental funds were as follows:

	<u>Property Taxes</u>	<u>Stormwater Utility Fees</u>	<u>Due from other Governmental Units</u>	<u>Total</u>
General Fund	\$3,262	\$ -	\$ -	\$3,262
Planning and Implementation	6,887	17,306	340,000	364,193
Debt Service	-	18,067	-	18,067
Total unavailable revenue	<u>\$10,149</u>	<u>\$35,373</u>	<u>\$340,000</u>	<u>\$385,522</u>

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 5 CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$8,356,448	\$ -	\$ -	\$8,356,448
Construction in process	3,922,142	10,912	-	3,933,054
Total	<u>12,278,590</u>	<u>10,912</u>	<u>-</u>	<u>12,289,502</u>
Capital assets, being depreciated:				
Infrastructure	793,070	-	-	793,070
Less accumulated depreciation for:				
Infrastructure	165,454	15,908		181,362
Total capital assets being depreciated - net	<u>627,616</u>	<u>(15,908)</u>	<u>-</u>	<u>611,708</u>
Governmental activities capital assets - net	<u>\$12,906,206</u>	<u>(\$4,996)</u>	<u>\$0</u>	<u>\$12,901,210</u>

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

Governmental activities:	
Projects	<u>\$15,908</u>
Total depreciation expense - governmental activities	<u>\$15,908</u>

**Note 6 LONG-TERM DEBT**

The District issued a general obligation bond in 2002 to provide funds for capital improvements. The District issued a general obligation crossover refunding bond in 2007 to partially refund the 2002 bond on March 1, 2010. The District issued its Series 2011A General Obligation Bonds in 2011 to finance a portion of the water quality improvement projects related to the City of Cottage Grove, drainage improvements related to the City of Newport and the Grey Cloud Island Slough Crossing Project.

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

GOVERNMENTAL ACTIVITIES

As of December 31, 2014, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

	Interest Rates	Date	Final Maturity Date	Original Issue	Payable 12/31/14
General Obligation Bonds:					
\$2,795,000 Refunding Bonds 2007A	4.00%	12/27/2007	3/1/2017	\$2,795,000	\$1,485,000
\$3,945,000 G.O. Bonds 2011A	3.47%	5/1/2011	3/1/2031	3,945,000	3,725,000
Total General Obligation Bonds				6,740,000	5,210,000
Compensated absences payable				-	13,031
Total indebtedness - governmental activities				<u>\$6,740,000</u>	<u>\$5,223,031</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	General Obligation Bonds - Governmental Activities			
	G.O. Bonds		Refunding Bonds	
	Principal	Interest	Principal	Interest
2015	\$130,000	\$120,120	\$475,000	\$52,275
2016	135,000	117,470	495,000	30,500
2017	155,000	114,570	515,000	10,300
2018	160,000	110,620	-	-
2019	175,000	105,595	-	-
2020	175,000	100,345	-	-
2021	200,000	94,970	-	-
2022	205,000	89,145	-	-
2023	235,000	82,545	-	-
2024	240,000	75,300	-	-
2025	250,000	67,518	-	-
2026	255,000	58,992	-	-
2027	265,000	49,760	-	-
2028	270,000	39,995	-	-
2029	280,000	29,400	-	-
2030	295,000	17,900	-	-
2031	300,000	6,000	-	-
Total	<u>\$3,725,000</u>	<u>\$1,280,245</u>	<u>\$1,485,000</u>	<u>\$93,075</u>

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

**CHANGE IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation Bonds:					
\$2,795,000 Refunding Bonds 2007A	\$1,940,000	\$ -	\$455,000	\$1,485,000	\$475,000
\$3,945,000 G.O. Bonds 2011A	3,835,000	-	110,000	3,725,000	130,000
Subtotal	5,775,000	-	565,000	5,210,000	<u>\$605,000</u>
Unamortized premium on bonds	67,330	-	13,058	54,272	
Total General Obligation Bonds	<u>\$5,842,330</u>	<u>\$0</u>	<u>\$578,058</u>	<u>\$5,264,272</u>	
Compensated absences payable	<u>\$10,525</u>	<u>\$22,446</u>	<u>\$19,940</u>	<u>\$13,031</u>	<u>\$13,031</u>

All long-term bonded indebtedness outstanding at December 31, 2014 is backed by the full faith and credit of the District. Compensated absences are generally liquidated by the General Fund.

**Note 7 CONTINGENCIES**

**A. RISK MANAGEMENT**

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

Workers compensation coverage for District employees 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. For workers compensation, the District is not subject to a deductible. The District 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.

Other 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 of the insurance policies. The amount of these deductibles are considered immaterial to the financial statements.

There were no significant reductions in insurance or settlements in excess of insurance coverage for 2014.

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

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**B. LITIGATION**

The District's management has indicated that there are no pending litigation's in which the District is involved that would have a material effect upon the District's financial statements.

**Note 8** **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) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are 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 and PEPFF. That report may be obtained on the internet at [www.mnpera.org](http://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 contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$17,036, \$15,242, and \$13,635, respectively, 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).

**SOUTH WASHINGTON 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>General Fund</u>	<u>Planning and Implementation</u>	<u>Debt Service</u>	<u>Total</u>
Nonspendable:				
Prepays	\$15,096	\$ -	\$ -	\$15,096
Restricted for:				
Debt service	-	-	430,143	430,143
Water quality and drainage improvements	-	1,267,214	-	1,267,214
Committed for:				
Planning and implementation	-	13,345,890	-	13,345,890
Assigned to:				
Planning and implementation	-	59,825	-	59,825
Unassigned	<u>366,988</u>	<u>-</u>	<u>-</u>	<u>366,988</u>
 Total	 <u><u>\$382,084</u></u>	 <u><u>\$14,672,929</u></u>	 <u><u>\$430,143</u></u>	 <u><u>\$15,485,156</u></u>

**Note 10 STORMWATER UTILITY FEES**

In 2004, the District implemented a stormwater utility fee pursuant to Minnesota Statutes Chapter 444.

**Note 11 ACCOUNTS PAYABLE**

At December 31, 2014, a summary of the components of accounts payable were as follows:

Accounts payable	\$60,780
Due to other governments	<u>280,003</u>
Total	<u><u>\$340,783</u></u>

**Note 12 COMMITTED CONTRACTS**

At December 31, 2014, the District had committed contracts totaling \$6,396,489 for construction/repair projects.

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

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**Note 13 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 No. 68 and No. 71 will have a material impact.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH WASHINGTON 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			
<b>Revenues:</b>					
General property taxes	\$289,141	\$289,141	\$287,533	(\$1,608)	\$262,432
Intergovernmental - Other	133	133	133	-	131
Investment income	-	-	171	171	176
Other	-	-	1,630	1,630	1,979
Total revenues	<u>289,274</u>	<u>289,274</u>	<u>289,467</u>	<u>193</u>	<u>264,718</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Legal	11,737	11,737	7,363	4,374	6,990
Accounting and auditing	19,387	19,387	18,818	569	18,307
Other consulting	3,832	3,832	1,260	2,572	1,792
Salary and benefits	162,146	162,146	164,505	(2,359)	151,168
Manager's per diem and expenses	28,500	28,500	14,875	13,625	19,386
Insurance	12,731	12,731	14,213	(1,482)	13,259
Dues	6,365	6,365	5,177	1,188	3,500
Rent	22,831	22,831	24,270	(1,439)	22,578
Equipment	9,200	9,200	14,234	(5,034)	4,325
Office supplies and other	12,545	12,545	37,263	(24,718)	10,838
Total expenditures	<u>289,274</u>	<u>289,274</u>	<u>301,978</u>	<u>(12,704)</u>	<u>252,143</u>
Revenues over (under) expenditures	<u>\$0</u>	<u>\$0</u>	(12,511)	<u>(\$12,511)</u>	12,575
Fund balance - January 1			<u>394,595</u>		<u>382,020</u>
Fund balance - December 31			<u>\$382,084</u>		<u>\$394,595</u>

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**NOTE TO RSI**  
December 31, 2014

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**Note A**    **BUDGETS**

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

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## **INDIVIDUAL FUND FINANCIAL STATEMENTS**

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**COMPARATIVE BALANCE SHEET**  
**GENERAL FUND**  
December 31, 2014  
With Comparative Amounts For December 31, 2013

**Statement 7**

Assets	2014	2013
Cash and investments	\$411,652	\$601,127
Accounts receivable	1,452	1,455
Taxes receivable:		
Delinquent	3,262	4,056
Due from county	1,178	1,802
Prepaid items	15,096	12,536
 Total assets	 \$432,640	 \$620,976
 Liabilities, deferred inflows of resources, and fund balance		
Liabilities:		
Accounts payable	\$44,132	\$219,397
Salaries payable	3,162	2,928
Total liabilities	47,294	222,325
 Deferred inflows of resources:		
Unavailable revenue	3,262	4,056
 Fund balance:		
Nonspendable	15,096	12,536
Unassigned	366,988	382,059
Total fund balance	382,084	394,595
 Total liabilities, deferred inflows of resources, and fund balance	 \$432,640	 \$620,976

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

**Statement 8**

	<u>2014</u>	<u>2013</u>
Revenues:		
General property taxes	\$287,533	\$262,432
Intergovernmental - other	133	131
Investment income	171	176
Other	1,630	1,979
Total revenues	<u>289,467</u>	<u>264,718</u>
Expenditures:		
Current:		
Professional services:		
Legal	7,363	6,990
Accounting and auditing	18,818	18,307
Other consulting	1,260	1,792
Salary and benefits	164,505	151,168
Manager's per diem and expenses	14,875	19,386
Insurance	14,213	13,259
Dues	5,177	3,500
Rent	24,270	22,578
Equipment	14,234	4,325
Office supplies and other	37,263	10,838
Total expenditures	<u>301,978</u>	<u>252,143</u>
Revenues over (under) expenditures	(12,511)	12,575
Fund balance - January 1	<u>394,595</u>	<u>382,020</u>
Fund balance - December 31	<u><u>\$382,084</u></u>	<u><u>\$394,595</u></u>

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**COMPARATIVE BALANCE SHEET**  
**PLANNING AND IMPLEMENTATION FUND**  
December 31, 2014  
With Comparative Amounts For December 31, 2013

**Statement 9**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash and investments	\$13,762,260	\$12,801,719
Restricted cash and investments	1,275,674	1,504,301
Accounts receivable	-	2,640
Due from other governments	359,159	499,211
Taxes receivable:		
Delinquent	6,887	8,314
Due from county	1,850	3,016
Stormwater utility fees receivable:		
Delinquent	17,306	27,126
Due from county	8,806	16,141
Prepaid items	-	500
<b>Total assets</b>	<b><u><u>\$15,431,942</u></u></b>	<b><u><u>\$14,862,968</u></u></b>
<b>Liabilities, deferred inflows of resources, and fund balance</b>		
<b>Liabilities:</b>		
Accounts payable	\$296,651	\$406,857
Salaries payable	2,954	2,597
Contracts payable	25,607	367,592
Unearned revenue	69,608	34,345
<b>Total liabilities</b>	<b><u><u>394,820</u></u></b>	<b><u><u>811,391</u></u></b>
<b>Deferred inflows of resources:</b>		
Unavailable revenue	<u>364,193</u>	<u>395,440</u>
<b>Fund balance:</b>		
Nonspendable	-	500
Restricted	1,267,214	1,495,845
Committed	13,345,890	12,113,228
Assigned	59,825	46,564
<b>Total fund balance</b>	<b><u><u>14,672,929</u></u></b>	<b><u><u>13,656,137</u></u></b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b><u><u>\$15,431,942</u></u></b>	<b><u><u>\$14,862,968</u></u></b>



**SOUTH WASHINGTON WATERSHED DISTRICT**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**PLANNING AND IMPLEMENTATION FUND**  
For The Year Ended December 31, 2014  
With Comparative Amounts For The Year Ended December 31, 2013

**Statement 10**

	<u>2014</u>	<u>2013</u>
Revenues:		
General property taxes	\$454,268	\$447,956
Stormwater utility fees	2,045,056	2,024,362
Permits	6,500	-
Intergovernmental:		
Other	127,137	678,607
Investment income	1,479	3,282
Other	5,279	10,084
Total revenues	<u>2,639,719</u>	<u>3,164,291</u>
Expenditures:		
Current:		
Professional services:		
Legal	7,503	19,744
Engineering	136,285	413,668
Salaries and benefits	109,952	21,375
Projects and studies	1,369,187	5,731,640
Total expenditures	<u>1,622,927</u>	<u>6,186,427</u>
Revenues over (under) expenditures	1,016,792	(3,022,136)
Fund balance - January 1	<u>13,656,137</u>	<u>16,678,273</u>
Fund balance - December 31	<u>\$14,672,929</u>	<u>\$13,656,137</u>

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**COMPARATIVE BALANCE SHEET**  
**DEBT SERVICE FUND**  
December 31, 2014  
With Comparative Amounts For December 31, 2013

**Statement 11**

	<u>2014</u>	<u>2013</u>
Assets		
Cash and investments	\$417,980	\$379,688
Restricted cash and investments	8,738	8,738
Stormwater utility fees receivable:		
Delinquent	18,067	13,450
Due from county	<u>3,425</u>	<u>6,273</u>
Total assets	<u><u>\$448,210</u></u>	<u><u>\$408,149</u></u>
Liabilities, deferred inflows of resources, and fund balance		
Liabilities:		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
Deferred inflows of resources:		
Unavailable revenue	<u>18,067</u>	<u>13,450</u>
Fund balance:		
Restricted	<u>430,143</u>	<u>394,699</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$448,210</u></u>	<u><u>\$408,149</u></u>

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**DEBT SERVICE FUND**  
For The Year Ended December 31, 2014  
With Comparative Amounts For The Year Ended December 31, 2013

**Statement 12**

	<u>2014</u>	<u>2013</u>
Revenues:		
Stormwater utility fees	\$796,676	\$787,541
Investment income	468	516
Total revenues	<u>797,144</u>	<u>788,057</u>
Expenditures:		
Debt service:		
Principal	565,000	545,000
Interest	195,770	215,770
Fiscal agent fees	930	425
Total expenditures	<u>761,700</u>	<u>761,195</u>
Revenues over expenditures	35,444	26,862
Fund balance - January 1	<u>394,699</u>	<u>367,837</u>
Fund balance - December 31	<u><u>\$430,143</u></u>	<u><u>\$394,699</u></u>

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## **SUPPLEMENTARY FINANCIAL INFORMATION**

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUND - PLANNING AND IMPLEMENTATION FUND**  
December 31, 2014  
With Comparative Totals For December 31, 2013

	<u>1.0 Floodplain Management</u>	<u>2.0 Stormwater Management</u>	<u>3.0 Water Quality</u>	<u>4.0 Wetlands</u>	<u>5.0 Natural Resources</u>
<b>Assets</b>					
Cash and investments	\$226,288	\$7,590,912	\$1,730,017	\$217,771	\$578,651
Restricted cash and investments	-	1,275,674	-	-	-
Accounts receivable	-	-	-	-	-
Due from other governments	-	352,751	6,408	-	-
Taxes receivable:					
Delinquent	-	-	-	-	-
Due from county	26	99	556	-	25
Stormwater utility fees receivable:					
Delinquent	-	-	-	-	-
Due from county	59	4,769	1,014	-	174
Prepaid expense	-	-	-	-	-
<b>Total assets</b>	<b><u>\$226,373</u></b>	<b><u>\$9,224,205</u></b>	<b><u>\$1,737,995</u></b>	<b><u>\$217,771</u></b>	<b><u>\$578,850</u></b>
<b>Liabilities, inflow of resources, and fund balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$70,174	\$6,150	\$ -	\$ -
Due to other governments	-	-	-	-	-
Contracts payable	-	25,607	-	-	-
Salaries payable	67	367	911	149	116
Unearned revenue	-	-	69,608	-	-
<b>Total liabilities</b>	<b><u>67</u></b>	<b><u>96,148</u></b>	<b><u>76,669</u></b>	<b><u>149</u></b>	<b><u>116</u></b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue	-	340,000	-	-	-
<b>Fund balance:</b>					
Nonspendable	-	-	-	-	-
Restricted	-	1,267,214	-	-	-
Committed	226,236	7,504,635	1,660,417	217,605	549,955
Assigned	70	16,208	909	17	28,779
<b>Total fund balance</b>	<b><u>226,306</u></b>	<b><u>8,788,057</u></b>	<b><u>1,661,326</u></b>	<b><u>217,622</u></b>	<b><u>578,734</u></b>
<b>Total liabilities, inflow of resources, and fund balance</b>	<b><u>\$226,373</u></b>	<b><u>\$9,224,205</u></b>	<b><u>\$1,737,995</u></b>	<b><u>\$217,771</u></b>	<b><u>\$578,850</u></b>

6.0 Groundwater	7.0 Erosion Sediment Control	8.0 Education	9.0 Long Range Workplan	10.0 Data Management	Totals	
					2014	2013
					\$1,033,392	\$149,546
-	-	-	-	-	1,275,674	1,504,301
-	-	-	-	-	-	2,640
-	-	-	-	-	359,159	499,211
-	-	-	-	6,887	6,887	8,314
49	39	178	130	748	1,850	3,016
-	-	-	-	17,306	17,306	27,126
381	-	-	2,409	-	8,806	16,141
-	-	-	-	-	-	500
<u>\$1,033,822</u>	<u>\$149,585</u>	<u>\$278,135</u>	<u>\$1,502,989</u>	<u>\$482,217</u>	<u>\$15,431,942</u>	<u>\$14,862,968</u>
\$350	\$ -	\$5,500	\$170,000	\$44,477	\$296,651	\$303,237
-	-	-	-	-	-	103,620
-	-	-	-	-	25,607	367,592
68	187	115	422	552	2,954	2,597
-	-	-	-	-	69,608	34,345
<u>418</u>	<u>187</u>	<u>5,615</u>	<u>170,422</u>	<u>45,029</u>	<u>394,820</u>	<u>811,391</u>
-	-	-	-	24,193	364,193	395,440
-	-	-	-	-	-	500
-	-	-	-	-	1,267,214	1,495,845
1,033,168	149,379	272,404	1,331,141	400,950	13,345,890	12,113,228
236	19	116	1,426	12,045	59,825	46,564
<u>1,033,404</u>	<u>149,398</u>	<u>272,520</u>	<u>1,332,567</u>	<u>412,995</u>	<u>14,672,929</u>	<u>13,656,137</u>
<u>\$1,033,822</u>	<u>\$149,585</u>	<u>\$278,135</u>	<u>\$1,502,989</u>	<u>\$482,217</u>	<u>\$15,431,942</u>	<u>\$14,862,968</u>

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**SPECIAL REVENUE FUND - PLANNING AND IMPLEMENTATION FUND**  
**For The Year Ended December 31, 2014**  
**With Comparative Totals For The Year Ended December 31, 2013**

	<u>1.0 Floodplain Management</u>	<u>2.0 Stormwater Management</u>	<u>3.0 Water Quality</u>	<u>4.0 Wetlands</u>	<u>5.0 Natural Resources</u>
<b>Revenues:</b>					
Property taxes	\$6,267	\$24,074	\$135,619	\$11,848	\$5,984
Stormwater utility fees	13,794	1,109,338	235,748	-	40,529
Permits	-	-	-	-	-
Intergovernmental	-	67,107	59,893	6	3
Investment income	15	671	220	7	28
Miscellaneous	-	-	-	-	5,279
<b>Total revenues</b>	<u>20,076</u>	<u>1,201,190</u>	<u>431,480</u>	<u>11,861</u>	<u>51,823</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Legal	-	7,503	-	-	-
Engineering	6,755	129,530	-	-	-
Salaries and benefits	2,519	13,543	34,042	5,088	4,414
Projects and studies	-	625,186	144,395	286	33,900
<b>Total expenditures</b>	<u>9,274</u>	<u>775,762</u>	<u>178,437</u>	<u>5,374</u>	<u>38,314</u>
Revenues over (under) expenditures	10,802	425,428	253,043	6,487	13,509
Fund balance - January 1	<u>215,504</u>	<u>8,362,629</u>	<u>1,408,283</u>	<u>211,135</u>	<u>565,225</u>
Fund balance - December 31	<u>\$226,306</u>	<u>\$8,788,057</u>	<u>\$1,661,326</u>	<u>\$217,622</u>	<u>\$578,734</u>



6.0 Groundwater	7.0 Erosion Sediment Control	8.0 Education	9.0 Long Range Workplan	10.0 Data Management	Totals	
					2014	2013
					\$3,419	\$9,403
85,270	-	-	560,377	-	2,045,056	2,024,362
-	-	-	-	6,500	6,500	-
2	4	20	15	84	127,134	678,607
52	6	26	349	108	1,482	3,282
-	-	-	-	-	5,279	10,084
<u>88,743</u>	<u>9,413</u>	<u>43,384</u>	<u>592,553</u>	<u>189,196</u>	<u>2,639,719</u>	<u>3,164,291</u>
-	-	-	-	-	7,503	19,609
-	-	-	-	-	136,285	364,439
2,520	6,946	4,344	15,747	20,789	109,952	22,678
500	-	25,200	323,929	215,791	1,369,187	5,779,701
<u>3,020</u>	<u>6,946</u>	<u>29,544</u>	<u>339,676</u>	<u>236,580</u>	<u>1,622,927</u>	<u>6,186,427</u>
85,723	2,467	13,840	252,877	(47,384)	1,016,792	(3,022,136)
<u>947,681</u>	<u>146,931</u>	<u>258,680</u>	<u>1,079,690</u>	<u>460,379</u>	<u>13,656,137</u>	<u>16,678,273</u>
<u>\$1,033,404</u>	<u>\$149,398</u>	<u>\$272,520</u>	<u>\$1,332,567</u>	<u>\$412,995</u>	<u>\$14,672,929</u>	<u>\$13,656,137</u>

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**OTHER INFORMATION - UNAUDITED**

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**COMBINED SCHEDULE OF INDEBTEDNESS**  
December 31, 2014

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	<u>Interest Rates</u>	<u>Date</u>	<u>Final Maturity Date</u>
General Obligation Bonds:			
Crossover Refunding Bonds of 2007A	4.00%	12/27/2007	3/1/2017
G.O. Bonds of 2011A	3.47%	5/1/2011	3/1/2031
 Total			

Prior Years		Payable 01/01/14	2014		Payable 12/31/14	Principal Due In 2015	Interest Due In 2015	Interest Payable to Maturity
Original Issue	Payments		Issued	Payments				
\$2,795,000	\$855,000	\$1,940,000	\$ -	\$455,000	\$1,485,000	\$475,000	\$52,275	\$93,075
3,945,000	110,000	3,835,000	-	110,000	3,725,000	130,000	120,120	1,280,245
<u>\$6,740,000</u>	<u>\$965,000</u>	<u>\$5,775,000</u>	<u>\$0</u>	<u>\$565,000</u>	<u>\$5,210,000</u>	<u>\$605,000</u>	<u>\$172,395</u>	<u>\$1,373,320</u>

**SOUTH WASHINGTON WATERSHED DISTRICT**  
**TAXABLE VALUATIONS, TAX LEVIES AND TAX RATES**

**Exhibit 2**

	Tax Capacity Values	Tax Capacity Values	Tax Capacity Values	Tax Capacity Values
	2014/2015	2013/2014	2012/2013	2011/2012
<b>Taxable valuations:</b>				
Real estate	\$106,026,391	\$92,671,717	\$88,701,090	\$93,765,826
Personal property	2,093,645	2,031,095	2,003,137	1,860,021
Total	<u>108,120,036</u>	<u>94,702,812</u>	<u>90,704,227</u>	<u>95,625,847</u>
Tax increment captured	(744,925)	(758,479)	(1,127,089)	(1,271,066)
<b>Fiscal disparities:</b>				
Distribution	11,983,912	11,929,117	11,981,051	13,296,859
Contribution	<u>(8,286,528)</u>	<u>(8,105,430)</u>	<u>(8,488,654)</u>	<u>(8,322,319)</u>
Total	<u>\$111,072,495</u>	<u>\$97,768,020</u>	<u>\$93,069,535</u>	<u>\$99,329,321</u>
	2014/2015	2013/2014	2012/2013	2011/2012
	Certified Levy	Certified Levy	Certified Levy	Certified Levy
<b>Taxes levied:</b>				
Administration levy	\$250,000	\$250,000	\$250,000	\$250,000
Management plan implementation levy	<u>527,591</u>	<u>496,293</u>	<u>468,025</u>	<u>461,044</u>
Total	<u>\$777,591</u>	<u>\$746,293</u>	<u>\$718,025</u>	<u>\$711,044</u>

## **OTHER REPORTS**

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## REPORT ON INTERNAL CONTROL

To the Board of Managers and Management  
South Washington Watershed District  
Woodbury, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of South Washington 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 South Washington 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 South Washington Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Washington Watershed District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the South Washington Watershed District's internal control as described in the accompanying Schedule of Findings and Responses as item 2014-001 to be a significant deficiency.

South Washington Watershed District's written response to the significant deficiency identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the South Washington Watershed District's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the South Washington 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.*

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

March 27, 2015

**2014-001 Lack of Segregation of Duties**

*Criteria:* Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, has physical access to the related assets, and has responsibility or authority to record the transaction.

*Condition:* Substantially all accounting procedures are performed by one person.

*Cause:* This condition is common to organizations of this size due to a limited number of staff.

*Effect:* The lack of ideal segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner.

*Recommendation:* Any modification of internal controls in this area needs to be viewed from a cost/benefit perspective.

*Management Response:* The District has internal control policies and procedures in place to adequately compensate for the lack of segregation of duties, such as having all disbursements reviewed and approved by staff, administration, and the Board. Any modifications will be viewed from a cost/benefit perspective.

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## MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Managers  
South Washington Watershed District  
Woodbury, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of South Washington 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 March 27, 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 study considered all of the listed categories.

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

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

March 27, 2015

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