

**MISSISSIPPI WATERSHED
MANAGEMENT ORGANIZATION**

ANNUAL FINANCIAL REPORT

December 31, 2014

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MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
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INTRODUCTORY SECTION

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MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION

ORGANIZATION

December 31, 2014

	<u>City</u>
Board of Commissioners:	
Donna Schmitt	Columbia Heights & Hilltop
James Saefke	Fridley
Karen Gill-Gerbig	Lauderdale
Kevin Reich	Minneapolis
Scott Vreeland	Minneapolis Park & Recreation Board
Jerry Faust	Saint Anthony Village
Betty Wheeler	Saint Paul
Alternates:	
Linda Johnson	Columbia Heights & Hilltop
Dolores Varichak	Fridley
Open	Lauderdale
Diane Hofstede	Minneapolis
Liz Wilenski	Minneapolis Park & Recreation Board
Randy Stille	Saint Anthony Village
Matt Hass	Saint Paul

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Mississippi Watershed Management Organization
Minneapolis, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Mississippi Watershed Management Organization as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Mississippi Watershed Management Organization'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 Mississippi Watershed Management Organization, 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 Mississippi Watershed Management Organization'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 July 24, 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 34 to 36, 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 Mississippi Watershed Management Organization's basic financial statements. The introductory section, individual fund financial statements, and other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements 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 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 2, 2015

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BASIC FINANCIAL STATEMENTS

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION

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	\$22,467,964	\$20,543,221
Accounts receivable	7,754	-
Due from other governments	32,662	258,543
Property taxes receivable:		
Delinquent	66,826	30,619
Due from county	40,613	42,643
Capital assets - net:		
Nondepreciable	670,703	1,280,774
Depreciable	5,600,759	4,679,334
Total assets	<u>28,887,281</u>	<u>26,835,134</u>
Liabilities:		
Accounts payable	80,785	64,144
Due to other governments	99,911	59,386
Salaries payable	40,378	33,223
Contracts payable	44,175	175,322
Retainage payable	30,178	73,836
Compensated absences payable:		
Due within one year	27,677	27,678
Due in more than one year	27,678	24,657
Total liabilities	<u>350,782</u>	<u>458,246</u>
Net position:		
Net investment in capital assets	6,149,502	5,686,203
Unrestricted	22,386,997	20,690,685
Total net position	<u><u>\$28,536,499</u></u>	<u><u>\$26,376,888</u></u>

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

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION

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	\$1,404,947	\$ -	\$ -	\$ -	(\$1,404,947)	(\$1,209,450)
Programs	612,332	-	-	-	(612,332)	(500,924)
Projects	1,914,066	-	419,179	-	(1,494,887)	(210,983)
Total governmental activities	<u>\$3,931,345</u>	<u>\$0</u>	<u>\$419,179</u>	<u>\$0</u>	<u>(3,512,166)</u>	<u>(1,921,357)</u>
General revenues:						
Property taxes					5,560,001	5,366,105
Grants and contributions not restricted to specific programs					-	3,358
Unrestricted investment earnings					81,683	82,011
Miscellaneous other					30,093	35,964
Total general revenues					<u>5,671,777</u>	<u>5,487,438</u>
Change in net position					<u>2,159,611</u>	<u>3,566,081</u>
Net position - January 1					<u>26,376,888</u>	<u>22,810,807</u>
Net position - December 31					<u>\$28,536,499</u>	<u>\$26,376,888</u>

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

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION

BALANCE SHEET

Statement 3

GOVERNMENTAL FUNDS

December 31, 2014

With Comparative Totals For December 31, 2013

Assets	General Fund	Project and Program Fund	Total Governmental Funds	
			2014	2013
Cash	\$1,454,669	\$21,013,295	\$22,467,964	\$20,543,221
Accounts receivable	7,754	-	7,754	-
Due from other governments	-	32,662	32,662	258,543
Taxes receivable:				
Delinquent	15,984	50,842	66,826	30,619
Due from county	8,064	32,549	40,613	42,643
Total assets	\$1,486,471	\$21,129,348	\$22,615,819	\$20,875,026
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$26,447	\$54,338	\$80,785	\$64,144
Due to other governments	591	99,320	99,911	59,386
Salaries payable	40,378	-	40,378	33,223
Contracts payable	-	44,175	44,175	175,322
Retainage payable	-	30,178	30,178	73,836
Total liabilities	67,416	228,011	295,427	405,911
Deferred inflows of resources:				
Unavailable revenues	15,984	50,842	66,826	30,619
Fund balance:				
Committed	-	18,782,570	18,782,570	17,016,921
Assigned	-	2,067,925	2,067,925	1,991,183
Unassigned	1,403,071	-	1,403,071	1,430,392
Total fund balance	1,403,071	20,850,495	22,253,566	20,438,496
Total liabilities, deferred inflows of resources, and fund balance	\$1,486,471	\$21,129,348	\$22,615,819	\$20,875,026
Fund balance reported above			\$22,253,566	\$20,438,496
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.			6,271,462	5,960,108
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.			66,826	30,619
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			(55,355)	(52,335)
Net position of governmental activities			\$28,536,499	\$26,376,888

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

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
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	Project and Program Fund	Total Governmental Funds	
			2014	2013
Revenues:				
Property taxes	\$1,220,786	\$4,303,008	\$5,523,794	\$5,376,354
Intergovernmental	-	419,179	419,179	324,698
Reimbursement revenue	240	12,679	12,919	-
Investment income	4,941	76,742	81,683	82,011
Other	17,174	-	17,174	35,964
Total revenues	<u>1,243,141</u>	<u>4,811,608</u>	<u>6,054,749</u>	<u>5,819,027</u>
Expenditures:				
Current:				
Personnel costs	868,211	-	868,211	773,613
Administrative expenses	17,199	-	17,199	10,288
Consultants	126,801	-	126,801	112,841
Insurance	23,297	-	23,297	25,800
Accounting and legal	60,790	-	60,790	47,853
Building operations	51,740	-	51,740	45,063
Other	89,395	-	89,395	53,108
Programs	-	603,508	603,508	575,043
Projects	-	1,914,066	1,914,066	454,418
Capital outlay	33,029	451,643	484,672	938,412
Total expenditures	<u>1,270,462</u>	<u>2,969,217</u>	<u>4,239,679</u>	<u>3,036,439</u>
Revenues over (under) expenditures	(27,321)	1,842,391	1,815,070	2,782,588
Fund balance - January 1	<u>1,430,392</u>	<u>19,008,104</u>	<u>20,438,496</u>	<u>17,655,908</u>
Fund balance - December 31	<u><u>\$1,403,071</u></u>	<u><u>\$20,850,495</u></u>	<u><u>\$22,253,566</u></u>	<u><u>\$20,438,496</u></u>

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

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE 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 balance - total governmental funds (Statement 4)	\$1,815,070	\$2,782,588
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.	311,354	792,037
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	36,207	(10,249)
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>(3,020)</u>	<u>1,705</u>
Change in net position of governmental activities (Statement 2)	<u><u>\$2,159,611</u></u>	<u><u>\$3,566,081</u></u>

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

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Today's organization began as the Middle Mississippi River Watershed Management Organization in 1985, and formalized with a joint powers agreement executed by the Cities of Minneapolis, Saint Paul, Lauderdale, Falcon Heights, Saint Anthony Village, the Minneapolis Park and Recreation Board, and the University of Minnesota in 1997. For business purposes, the organization shortened its name to the Mississippi Watershed Management Organization (MWMO).

The First Generation Watershed Management Plan (Plan), published in December of 1986, was never officially approved, resulting in no projects being implemented. In January 1997, the University of Minnesota left the organization and a Second Generation planning effort was initiated. In 1998 the Capitol Region Watershed District was formed adjacent to the MWMO. Falcon Heights requested to remove itself and its accompanying land area from the MWMO into the newly formed watershed district. In 2000, the Bassett Creek Watershed Management Commission and MWMO entered into an agreement, which resulted in a boundary change that transferred 1,002 acres from the Bassett Creek Watershed Management Commission to the MWMO.

In 2000, the MWMO Second Generation Plan was approved. In 2006, the Plan was amended to clarify existing programmatic efforts. The MWMO's Third Generation Plan was adopted by the MWMO Board of Commissioners on May 10, 2011. An amendment to the Plan's Capital Improvement Schedule to add additional member projects was adopted by the MWMO Board of Commissioners on May 8, 2012.

In 2011 the Six Cities WMO was dissolved, by August 21, 2012 the cities of Columbia Heights, Fridley and Hilltop, past members of Six Cities WMO, became members of the MWMO. The MWMO's current jurisdictional area includes portions of the Cities of Columbia Heights, Fridley, Hilltop, Lauderdale, Minneapolis, Saint Anthony Village, and Saint Paul covers approximately 40 square miles. Projects in the cities of Columbia Heights, Fridley and Hilltop related to storm water management were identified and will be added to the MWMO Plan's Capital Improvement Schedule via a 2013 plan amendment.

The financial statements of the MWMO have been prepared in conformity with generally accepted accounting principles as applied to government units by the Governmental Accounting Standards Board (GASB). The MWMO's accounting policies are described below:

A. FINANCIAL REPORTING ENTITY

In accordance with Governmental Accounting Standards Board (GASB) pronouncements and generally accepted accounting principles, the financial statements of the reporting entity include those of the MWMO (the primary government) and its component units. GASB Statement No. 14 defines a component unit as "legally separate organizations for which the elected officials of the primary government are financially accountable." The MWMO 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 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*. There are no business-type activities which rely to a significant extent on fees and charges for support.

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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

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

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

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

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

MWMO reports the following major governmental funds:

General Fund – the general operating fund of the MWMO. It is used to account for financial resources to be used for general administrative expenditures and for the construction and maintenance of projects of common benefit to the MWMO.

Project and Program Fund (special revenue fund) - established to account for projects and programs of the MWMO. Property taxes are committed for water projects and programs.

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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 MWMO. 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.

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

D. BUDGETS

Budgets are adopted annually by the Board of Commissioners. During the budget year, supplemental appropriations and deletions are or may be authorized by the Board. 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 MWMO.

E. CAPITAL BUDGET

The 2012 Amended JCA describes capital budgets as follows:

“Budget” means a statement of the expected income and expenses of the Organization for each year. The Commission may divide the Budget into an Administrative Budget, covering staff salary and benefits, Commission expenses, rent, office expenses and other administrative expenses, and a Programs and Projects Budget, covering the programs and projects of the Organization, including capital projects. “Capital Improvement Project” means a physical improvement project required by the Metropolitan Surface Water Management Act as found in Minnesota Statutes, Sections 103B.201 to 103B.253 to be included in the capital improvements program of the Plan.

Projects or other necessary expenditures that cannot be accomplished through the ad valorem tax levy shall be addressed by mutual agreement of the affected Members outside of this Agreement.

The Commission will endeavor to equitably apportion the expenditure of Commission funds for projects and programs among the Members' jurisdictions, giving due regard to the financial contributions from tax levies within each Member's jurisdiction as well as the merit of each project and program according to criteria established in the Plan or approved by the Commission.

F. CASH AND INVESTMENTS

Cash and investment balances are invested to the extent available in authorized investments.

In accordance with the provisions of GASB No. 31, the MWMO reports investments at fair value in the financial statements. In accordance with the provisions of GASB No. 31, the MWMO has reported all investment income, including changes in fair value of investments, as revenue in the operating statements.

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 MWMO, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the MWMO 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 MWMO on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The MWMO has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The MWMO 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 MWMO 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 MWMO in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the MWMO 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 MWMO in January is fully offset by deferred inflow 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. None of the MWMO's funds maintain significant amounts of inventories of materials and supplies.

I. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, 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 MWMO 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

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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 requires the MWMO 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 MWMO did not acquire any infrastructure assets since implementing GASB Statement No. 34.

The MWMO implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* effective January 1, 2010 which required the MWMO 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 MWMO has elected not to report intangible assets acquired in years prior to 2010.

Property, plant and equipment of the primary government, as well as the component units, are depreciated/amortized, using the straight-line method over the following estimated useful lives:

Assets	
Land improvements	25 years
Buildings	40 years
Furniture and fixtures	5 – 15 years
Office equipment	5 – 10 years
Fleet	5 – 10 years

J. 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. Bond premiums and discounts are immaterial and are expensed in the year of bond issuance.

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.

K. 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:

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 MWMO Board.

Assigned- consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the MWMO's intended use. These constraints are established by the MWMO 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 MWMO'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 MWMO's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

L. 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.

M. 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.

N. COMPARATIVE TOTALS

The basic financial statements, required supplementary information, and individual fund 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 MWMO's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

O. COMPENSATED ABSENCES

It is the MWMO's policy to permit employees to accumulate earned but unused paid time off (PTO) up to limits defined in the employee handbook. All PTO benefits that are vested as severance pay are accrued 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 retirement. 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 PTO benefits.

P. RECLASSIFICATION

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

Q. 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 government has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net 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.

R. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. 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 balance – 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 on the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$36,207 difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2013	(\$30,619)
At December 31, 2014	<u>66,826</u>

Net adjustments to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$36,207</u>
--	-----------------

Another element of that reconciliation states 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 \$311,354 difference are as follows:

Capital outlay	\$484,672
Depreciation	<u>(173,318)</u>

Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$311,354</u>
---	------------------

Another element of that reconciliation states that “some expense 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 (\$3,020) difference are as follows:

Compensated absences:	
At December 31, 2013	\$52,335
At December 31, 2014	<u>(55,355)</u>

Net adjustments to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>(\$3,020)</u>
--	------------------

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

Minnesota Statutes require that all MWMO 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 MWMO 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
- 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 MWMO's deposits may not be returned to it. State statutes require that insurance, surety bonds or collateral protect all MWMO's deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. At year end, the carrying amount of the MWMO's deposits was \$22,467,964, and the bank balance was \$22,558,218. The entire bank balance was covered by federal depository insurance or covered by perfected collateral pledge and held in the District's name.

B. INVESTMENTS

Minnesota Statutes authorize the MWMO 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.

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

- 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.

During 2014, the MWMO did not invest in any of the above type of investments.

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 MWMO follows State Statutes in regards to credit risk of investments. The MWMO does not have an investment policy which further limits its investment choices.

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 MWMO 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 MWMO's investment in a single issuer. The MWMO does not have an investment policy which addresses the concentration of credit risk.

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 MWMO will not be able to recover the value of its investment securities that are in the possession of an outside party. The MWMO does not have an investment policy which addresses custodial credit risk.

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 3 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	\$330,849	\$ -	\$ -	\$330,849
Permanent easement	-	12,094	-	12,094
Construction in progress	949,925	451,643	(1,073,808)	327,760
Total capital assets, not being depreciated	<u>1,280,774</u>	<u>463,737</u>	<u>(1,073,808)</u>	<u>670,703</u>
Capital assets, being depreciated:				
Buildings	4,410,318	-	-	4,410,318
Land improvements	158,500	1,014,975	-	1,173,475
Office equipment	118,247	60,014	-	178,261
Fleet	52,016	-	-	52,016
Furniture and fixtures	159,634	19,754	-	179,388
Total capital assets, being depreciated	<u>4,898,715</u>	<u>1,094,743</u>	<u>-</u>	<u>5,993,458</u>
Less accumulated depreciation for:				
Buildings	165,388	110,258	-	275,646
Land improvements	9,510	26,639	-	36,149
Office equipment	17,737	17,447	-	35,184
Fleet	11,146	7,431	-	18,577
Furniture and fixtures	15,600	11,543	-	27,143
Total accumulated depreciation	<u>219,381</u>	<u>173,318</u>	<u>-</u>	<u>392,699</u>
Total capital assets being depreciated - net	<u>4,679,334</u>	<u>921,425</u>	<u>-</u>	<u>5,600,759</u>
Governmental activities capital assets - net	<u>\$5,960,108</u>	<u>\$1,385,162</u>	<u>(\$1,073,808)</u>	<u>\$6,271,462</u>

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

Governmental activities:	
General government	\$164,494
Programs	8,824
Total depreciation expense - governmental activities	<u>\$173,318</u>

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

CONSTRUCTION COMMITMENTS

At December 31, 2014, the City had construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Commitment</u>
MWMO River Bank Stabilization	\$30,350	\$5,973
Green Campus	554,278	44,962
Stevenson School Ravine	70,393	14,773
		<u>\$65,708</u>

Note 4 RECEIVABLES

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

	<u>Major Funds</u>		<u>Total</u>
	<u>General</u>	<u>Project and Program Fund</u>	
Delinquent property taxes	<u>\$1,264</u>	<u>\$4,019</u>	<u>\$5,283</u>

Note 5 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 reported in the governmental funds were as follows:

	<u>Property Taxes</u>
General Fund	\$15,984
Project and Program Fund	50,842
Total	<u>\$66,826</u>

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 6 FUND BALANCE

A. CLASSIFICATIONS

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

	<u>General Fund</u>	<u>Project and Program Fund</u>	<u>Total</u>
Committed:			
Projects and programs	\$ -	\$18,782,570	\$18,782,570
Assigned:			
Projects and programs	-	2,067,925	2,067,925
Unassigned	1,403,071	-	1,403,071
Total	<u>\$1,403,071</u>	<u>\$20,850,495</u>	<u>\$22,253,566</u>

Note 7 FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The MWMO may be eligible to receive 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 MWMO at December 31, 2014.

Note 8 RISK MANAGEMENT

The MWMO is exposed to various risks of loss for which the MWMO carries commercial insurance policies.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The MWMO pays an annual premium to the LMCIT. The MWMO is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess various amounts.

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

Note 9 DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

All full-time and certain part-time employees of the MWMO 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 MWMO 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 Organization was required to contribute the following percentages of annual covered payroll in 2014: 11.78% for Basic Plan GERF members, 7.25% for Coordinated Plan GERF members. The Organization's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$46,832, \$41,826, and \$43,713, respectively. The MWMO's contributions were equal to the contractually required contributions for each year 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).

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 10 LONG-TERM DEBT

CHANGE IN LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/14</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Compensated absences payable	\$52,335	\$59,136	\$56,116	\$55,355	\$27,677

Compensated absences are generally liquidated by the General Fund.

Note 11 COMMITMENTS AND CONTINGENCIES

Existing and pending lawsuits, claims and other actions in which the WMO is a defendant are either covered by insurance or of an immaterial amount.

Note 12 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 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

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION

REQUIRED SUPPLEMENTARY INFORMATION

Statement 6

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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:					
Property taxes	\$1,210,000	\$1,210,000	\$1,220,786	\$10,786	\$1,179,808
Intergovernmental	-	-	-	-	1,698
Reimbursement revenue	-	-	240	240	-
Investment income	-	-	4,941	4,941	5,193
Other	-	-	17,174	17,174	15,964
Total revenues	<u>1,210,000</u>	<u>1,210,000</u>	<u>1,243,141</u>	<u>33,141</u>	<u>1,202,663</u>
Expenditures:					
Current:					
Personnel costs	1,000,000	1,000,000	868,211	131,789	773,613
Insurance	25,000	25,000	23,297	1,703	25,800
HR, accounting and legal	100,000	100,000	187,591	(87,591)	160,694
Miscellaneous	85,000	85,000	158,334	(73,334)	108,459
Capital outlay	-	-	33,029	(33,029)	-
Total expenditures	<u>1,210,000</u>	<u>1,210,000</u>	<u>1,270,462</u>	<u>(60,462)</u>	<u>1,068,566</u>
Revenues over (under) expenditures	<u>\$0</u>	<u>\$0</u>	<u>(27,321)</u>	<u>(\$27,321)</u>	134,097
Fund balance - January 1			<u>1,430,392</u>		<u>1,296,295</u>
Fund balance - December 31			<u>\$1,403,071</u>		<u>\$1,430,392</u>

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - PROJECT AND PROGRAM 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:					
Property taxes	\$4,250,000	\$4,250,000	\$4,303,008	\$53,008	\$4,196,546
Intergovernmental	-	-	419,179	419,179	323,000
Reimbursement revenue	-	-	12,679	12,679	-
Investment income	-	-	76,742	76,742	76,818
Other	-	-	-	-	20,000
Total revenues	4,250,000	4,250,000	4,811,608	561,608	4,616,364
Expenditures:					
Projects:					
Hennepin County Interchange Project	-	-	500,000	(500,000)	-
Columbia Heights Jackson Pond WQ & Flood Imp	135,000	135,000	-	135,000	-
Bassett Creek Tunnel Improvements	620,000	620,000	-	620,000	-
Fridley Main Street WQ Improvements	150,000	150,000	-	150,000	-
MWMO new building	-	-	3,494	(3,494)	12,637
Regional Stormwater Treatment	-	-	-	-	13,208
Northeast Green Campus	475,000	475,000	868,161	(393,161)	392,990
Riverside Avenue Reconstruction	-	-	426,517	(426,517)	-
R L Stevenson Elementary School Riverbank Restoration	-	-	75,620	(75,620)	35,583
MPRB Scherer Park	540,000	540,000	-	540,000	-
MPRB Sculpture Garden SW Improvements	780,000	780,000	-	780,000	-
MWMO Riverbank Restoration WQ & Habitat	400,000	400,000	-	400,000	-
Administrative project expense	-	-	40,274	(40,274)	-
Total projects	3,100,000	3,100,000	1,914,066	1,185,934	454,418
Programs:					
Grants - Stewardship Fund	250,000	250,000	34,168	215,832	188,444
Watershed assessment	200,000	200,000	198,069	1,931	161,143
Communication and outreach	500,000	500,000	58,641	441,359	37,413
Planning	-	-	84,074	(84,074)	21,687
Monitoring	100,000	100,000	177,915	(77,915)	105,317
Land conservation	-	-	-	-	61,039
Program support consultants	100,000	100,000	50,641	49,359	-
Total programs	1,150,000	1,150,000	603,508	546,492	575,043
Capital outlay	-	-	451,643	(451,643)	938,412
Total expenditures	4,250,000	4,250,000	2,969,217	1,280,783	1,967,873
Revenues over expenditures	<u>\$0</u>	<u>\$0</u>	1,842,391	<u>\$1,842,391</u>	2,648,491
Fund balance - January 1			<u>19,008,104</u>		<u>16,359,613</u>
Fund balance - December 31			<u>\$20,850,495</u>		<u>\$19,008,104</u>

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
December 31, 2014

Note A **BUDGETS**

The General and Project and Program 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 and Project and Program Funds.

INDIVIDUAL FUND STATEMENTS

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
COMPARATIVE BALANCE SHEET
GENERAL FUND
 December 31, 2014
 With Comparative Amounts For December 31, 2013

Statement 8

Assets	2014	2013
Cash	\$1,454,669	\$1,463,047
Accounts receivable	7,754	-
Taxes receivable:		
Delinquent	15,984	4,609
Due from county	8,064	10,595
	<u>8,064</u>	<u>10,595</u>
Total assets	<u>\$1,486,471</u>	<u>\$1,478,251</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities:		
Accounts payable	\$26,447	\$6,666
Due to other governments	591	3,361
Salaries payable	40,378	33,223
Total liabilities	<u>67,416</u>	<u>43,250</u>
Deferred inflows of resources:		
Unavailable revenues	15,984	4,609
	<u>15,984</u>	<u>4,609</u>
Fund balance:		
Unassigned	1,403,071	1,430,392
	<u>1,403,071</u>	<u>1,430,392</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$1,486,471</u>	<u>\$1,478,251</u>

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
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 9

	<u>2014</u>	<u>2013</u>
Revenues:		
Property taxes	\$1,220,786	\$1,179,808
Intergovernmental	-	1,698
Reimbursement revenue	240	-
Investment income	4,941	5,193
Other	17,174	15,964
Total revenues	<u>1,243,141</u>	<u>1,202,663</u>
Expenditures:		
Current:		
Wages and benefits	816,971	729,586
Payroll taxes	51,240	44,027
Administrative	17,199	10,288
Consultants	126,801	112,841
Insurance	23,297	25,800
Accounting and legal	60,790	47,853
Building operations	51,740	45,063
Equipment	26,412	4,718
Supplies	10,123	17,450
Telecommunications	25,105	25,178
Other	27,755	5,762
Capital outlay	33,029	-
Total expenditures	<u>1,270,462</u>	<u>1,068,566</u>
Revenues over (under) expenditures	(27,321)	134,097
Fund balance - January 1	<u>1,430,392</u>	<u>1,296,295</u>
Fund balance - December 31	<u><u>\$1,403,071</u></u>	<u><u>\$1,430,392</u></u>

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
COMPARATIVE BALANCE SHEET
PROJECT AND PROGRAM FUND
 December 31, 2014
 With Comparative Amounts For December 31, 2013

Statement 10

	<u>2014</u>	<u>2013</u>
Assets		
Cash	\$21,013,295	\$19,080,174
Due from other governments	32,662	258,543
Taxes receivable:		
Delinquent	50,842	26,010
Due from county	<u>32,549</u>	<u>32,048</u>
Total assets	<u><u>\$21,129,348</u></u>	<u><u>\$19,396,775</u></u>
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities:		
Accounts payable	\$54,338	\$57,478
Due to other governments	99,320	56,025
Contracts payable	44,175	175,322
Retainage payable	<u>30,178</u>	<u>73,836</u>
Total liabilities	<u><u>228,011</u></u>	<u><u>362,661</u></u>
Deferred inflows of resources:		
Unavailable revenues	<u>50,842</u>	<u>26,010</u>
Fund balance:		
Committed	18,782,570	17,016,921
Assigned	<u>2,067,925</u>	<u>1,991,183</u>
Total fund balance	<u><u>20,850,495</u></u>	<u><u>19,008,104</u></u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$21,129,348</u></u>	<u><u>\$19,396,775</u></u>

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
PROJECT AND PROGRAM FUND
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:		
Property taxes	\$4,303,008	\$4,196,546
Intergovernmental	419,179	323,000
Reimbursement revenue	12,679	-
Investment income	76,742	76,818
Other	-	20,000
Total revenues	<u>4,811,608</u>	<u>4,616,364</u>
Expenditures:		
Projects:		
Hennepin County Interchange Project	500,000	-
MWMO New Building	3,494	12,637
Regional Stormwater Treatment	-	13,208
Northeast Green Campus	868,161	392,990
Riverside Avenue Reconstruction	426,517	-
R L Stevenson Elementary School Riverbank Restoration	75,620	35,583
Administrative project expense	40,274	-
Total projects	<u>1,914,066</u>	<u>454,418</u>
Programs:		
Grants - Stewardship Fund	34,168	188,444
Watershed assessment	198,069	161,143
Communication and outreach	58,641	37,413
Planning	84,074	21,687
Monitoring	177,915	105,317
Land conservation	-	61,039
Miscellaneous program support	50,641	-
Total programs	<u>603,508</u>	<u>575,043</u>
Capital outlay	<u>451,643</u>	<u>938,412</u>
Total expenditures	<u>2,969,217</u>	<u>1,967,873</u>
Revenues over expenditures	1,842,391	2,648,491
Fund balance - January 1	<u>19,008,104</u>	<u>16,359,613</u>
Fund balance - December 31	<u><u>\$20,850,495</u></u>	<u><u>\$19,008,104</u></u>

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OTHER INFORMATION - UNAUDITED

MISSISSIPPI WATERSHED MANAGEMENT ORGANIZATION
TAX LEVY AND REVENUE BY COUNTY
December 31, 2014

Exhibit 1

2014 Tax Collections

Hennepin County	\$5,037,346
Ramsey County	24,686
Anoka County	<u>461,762</u>
Total tax collections	<u><u>\$5,523,794</u></u>
Levy amount - per Mississippi WMO budget	<u><u>\$5,560,000</u></u> *
Collection percentage	<u><u>99.3%</u></u>

* Levy amount includes a contingency for uncollected taxes of \$100,000

OTHER REPORTS

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REPORT ON INTERNAL CONTROL

To the Board of Commissioners and Management
Mississippi Watershed Management Organization
Minneapolis, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Mississippi Watershed Management Organization 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 Mississippi Watershed Management Organization'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 Mississippi Watershed Management Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Mississippi Watershed Management Organization'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, Mississippi Watershed Management Organization's Board, 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 2, 2015

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MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Commissioners
Mississippi Watershed Management Organization
Minneapolis, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Mississippi Watershed Management Organization, 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 2, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes Section 6.65, covers 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 except we did not test for compliance with the provisions for public indebtedness because it is not applicable to the Mississippi Watershed Management Organization.

In connection with our audit, nothing came to our attention that caused us to believe that the Mississippi Watershed Management Organization 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 Mississippi Watershed Management Organization'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 Mississippi Watershed Management Organization, 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 2, 2015

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