

**LOWER MINNESOTA RIVER
WATERSHED DISTRICT**

ANNUAL FINANCIAL REPORT

December 31, 2015

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LOWER MINNESOTA RIVER WATERSHED DISTRICT
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INTRODUCTORY SECTION

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LOWER MINNESOTA RIVER WATERSHED DISTRICT

ORGANIZATION

December 31, 2015

	<u>Term Expires</u>
Board of Managers:	
Yvonne Shirk, President	March 2018
Michael Murphey, Vice-President	March 2017
David Raby, Treasurer	March 2018
Leonard Kremer, Secretary	March 2018
Manager - Vacant	March 2017
Attorney - John C. Kolb	
Administrator - Linda Loomis	

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Managers of the
Lower Minnesota River Watershed District
Chaska, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Lower Minnesota River 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 Lower Minnesota River Watershed District, as of December 31, 2015, 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 Lower Minnesota River Watershed District's 2014 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 May 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 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 32 and 33, 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 Lower Minnesota River 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

April 22, 2016

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BASIC FINANCIAL STATEMENTS

LOWER MINNESOTA RIVER WATERSHED DISTRICT

STATEMENT OF NET POSITION

December 31, 2015

Statement 1

	<u>Primary Government</u> <u>Governmental Activities</u> <u>2015</u>
Assets:	
Cash and investments	\$1,083,459
Property taxes receivable:	
Delinquent	28,804
Due from county	3,547
Accounts receivable	8,106
Due from other governments	500
Prepaid items	5,614
Capital assets - nondepreciable	<u>256,167</u>
Total assets	<u>1,386,197</u>
Liabilities:	
Accounts payable	44,569
Due to other governments	26,068
Unearned revenue	<u>110,989</u>
Total liabilities	<u>181,626</u>
Net position:	
Net investment in capital assets	256,167
Unrestricted	<u>948,404</u>
Total net position	<u>\$1,204,571</u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2015

Statement 2

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense)
		Charges For Services	Operating Grants and Contributions		Revenue and Changes in Net Position
					Primary Government Totals 2015
Primary government:					
Governmental activities:					
General government	\$334,210	\$ -	\$ -	\$ -	(\$334,210)
Projects	183,943	28,362	6,617	-	(148,964)
Total governmental activities	<u>\$518,153</u>	<u>\$28,362</u>	<u>\$6,617</u>	<u>\$0</u>	<u>(483,174)</u>
General revenues:					
Property taxes					611,626
Unrestricted investment earnings					8,249
Miscellaneous					1,056
Total general revenues					<u>620,931</u>
Change in net position					<u>137,757</u>
Net position - January 1, as originally reported					1,098,939
Prior period adjustment					(32,125)
Net position - January 1, as restated					<u>1,066,814</u>
Net position - December 31					<u>\$1,204,571</u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT

BALANCE SHEET

Statement 3

GOVERNMENTAL FUNDS

December 31, 2015

With Comparative Totals For December 31, 2014

	General Fund	Capital Project Fund	Total Governmental Funds	
		Nine Foot Channel Fund	2015	2014
Assets				
Cash and investments	\$1,267,810	\$ -	\$1,267,810	\$1,193,771
Taxes receivable:				
Delinquent	28,804	-	28,804	26,726
Due from county	3,547	-	3,547	8,800
Accounts receivable	4,324	3,782	8,106	54,249
Due from other governments	500	-	500	1,000
Prepaid items	5,614	-	5,614	6,511
Total assets	\$1,310,599	\$3,782	\$1,314,381	\$1,291,057
Liabilities, Deferred Inflows of Resources and Fund Balance				
Liabilities:				
Cash overdraft	\$ -	\$184,351	\$184,351	\$249,228
Accounts payable	33,433	11,136	44,569	52,421
Due to other governments	26,068	-	26,068	21,446
Unearned revenue	107,772	3,217	110,989	109,388
Compensated absences:				
Due within one year	-	-	-	15,802
Total liabilities	167,273	198,704	365,977	448,285
Deferred inflows of resources:				
Unavailable revenue	28,804	3,782	32,586	79,228
Total inflows of resources	28,804	3,782	32,586	79,228
Fund balance:				
Nonspendable	5,614	-	5,614	6,511
Assigned	281,378	-	281,378	253,571
Unassigned	827,530	(198,704)	628,826	503,462
Total fund balance	1,114,522	(198,704)	915,818	763,544
Total liabilities, deferred inflows of resources and fund balance	\$1,310,599	\$3,782	\$1,314,381	\$1,291,057
Fund balance reported above			\$915,818	
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.			32,586	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			256,167	
Net position of governmental activities			\$1,204,571	

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

Statement 4

	General Fund	Capital Project Fund	Total Governmental Funds	
		Nine Foot Channel Fund	2015	2014
Revenues:				
Property taxes - current and delinquent	\$560,391	\$49,157	\$609,548	\$614,110
Intergovernmental:				
Grants	6,617	-	6,617	10,472
Investment income	8,249	-	8,249	5,135
Dredge site income	-	44,957	44,957	1,747
Miscellaneous	1,056	-	1,056	784
Total revenues	<u>576,313</u>	<u>94,114</u>	<u>670,427</u>	<u>632,248</u>
Expenditures:				
Engineering services	102,465	828	103,293	8,922
Salaries, payroll taxes and personnel expenses	-	-	-	17,900
Professional services	135,298	27,767	163,065	155,909
Insurance	7,053	1,763	8,816	10,189
Mileage and travel expenses	4,070	2,566	6,636	2,937
Office expense	23,924	5,438	29,362	26,465
Managers meeting expenses	7,071	1,767	8,838	5,368
509 planning/projects	58,043	-	58,043	60,461
Cooperative projects	125,900	-	125,900	91,564
Lobbying for funding	14,200	-	14,200	5,650
Total expenditures	<u>478,024</u>	<u>40,129</u>	<u>518,153</u>	<u>385,365</u>
Revenues over (under) expenditures	98,289	53,985	152,274	246,883
Fund balance (deficit) - January 1	<u>1,016,233</u>	<u>(252,689)</u>	<u>763,544</u>	<u>516,661</u>
Fund balance (deficit) - December 31	<u><u>\$1,114,522</u></u>	<u><u>(\$198,704)</u></u>	<u><u>\$915,818</u></u>	<u><u>\$763,544</u></u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015

Statement 5

	<u>2015</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)	\$152,274
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(14,517)</u>
Change in net position of governmental activities (Statement 2)	<u><u>\$137,757</u></u>

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lower Minnesota River Watershed District (the District) conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant accounting policies:

A. REPORTING ENTITY

The District was established in 1960 under the Minnesota Watershed Act as amended by the Minnesota Water Resources Board. The District covers areas within the following four counties: Carver, Dakota, Hennepin and Scott. The District is operated by a five-member Board of Managers appointed by the respective County boards for staggered three year terms. In accordance with Governmental Accounting Standards Board (GASB) pronouncements and generally accepted accounting principles, the financial statements of the reporting entity should include the primary government and its component units. The District does not have any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

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.

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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 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 all financial resources of the District not directly relating to the Nine Foot Channel Fund. Pursuant to Minnesota Statutes 103D, the District may levy up to \$250,000 for General Fund operations. In addition, this fund is used to account for the addition levy, not related to the Nine Foot Channel Fund. These levy funds are used for the purpose discussed in the Watershed Management Plan.

Nine Foot Channel Fund (Capital Project Fund) - is used to account for financial resources to be used for the maintenance of a nine foot channel depth. A designated distance of the Minnesota River within the District's boundaries has been established.

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

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

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. BUDGETARY DATA

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

The District prepares revenue and expenditure budgets for the District's General Fund. Encumbrance accounting, under which purchase orders, contracts and other commitments of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

E. CASH AND INVESTMENTS

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

In accordance with the provisions of GASB Statement No. 31, the District reports investments at fair value, based upon quoted market prices, in the financial statements. Also in accordance with the provisions of GASB No. 31, the District has reported all investment income, including changes in fair value of investments, as revenue in the operating statements.

F. INVENTORIES

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

G. PROPERTY TAX REVENUE RECOGNITION

The Board of Managers annually adopts a tax levy and certifies it to the County in October (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the District on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The District has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The District recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the 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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., storm sewers, manholes, control structures, and similar items), 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 had 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 elected to implement the general provisions of GASB Statement No. 34 in 2004 and elected not to report infrastructure assets acquired in years prior to 2003. Land is the only capital asset and is not being depreciated.

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 any intangible assets since implementing GASB No. 51.

I. 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.

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

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

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

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

J. 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.

K. USE OF ESTIMATES

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

L. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay benefits that are vested as severance pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

M. PREPAID ITEMS

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

N. COMPARATIVE TOTALS

The basic financial statements, required supplementary information, and 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, 2014, from which the summarized information was derived.

O. 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 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 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 property taxes and from the sale of dredging materials.

P. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund statement of revenue, 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 in the statement of activities that do not provide current financial resources are not reported as revenues in the funds”. The details of this (\$14,517) difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2014	(\$26,726)
At December 31, 2015	28,804
Unavailable revenue - dredging material:	
At December 31, 2014	(20,377)
At December 31, 2015	<u>3,782</u>
Net adjustments to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u><u>(\$14,517)</u></u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

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

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

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

The District does not have deposits at December 31, 2015.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that insurance, surety bonds or collateral protect all District deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. The District has no additional policies addressing custodial credit risk.

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.

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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

As of December 31, 2015, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Pooled Investments	N/A	\$1,083,459

C. INVESTMENT RISK

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. State law limits investments to commercial paper to those rated in the highest quality category by at least two nationally recognized rating agencies; in any security of the State of Minnesota or any of its municipalities which is rated "A" or better by a national bond rating service for general obligation and rated "AA" or better for a revenue obligation; a general obligation of the Minnesota Housing Finance Agency to those rated "A" or better by a national bond rating agency; mutual funds or money market funds whose investments are restricted to securities described in MS 118A.04. The District does not have an investment policy which further limits its investment choices.

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Organization</u>
Pooled with Carver County	N/A	Not rated

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

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 amount the District may invest in any one issuer.

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 investment securities that are in the possession of an outside party. As of December 31, 2015, all of the District's investments were pooled with Carver County.

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2015 are as follows:

	<u>General Fund</u>
Delinquent property taxes	<u>\$22,600</u>
Total	<u><u>\$22,600</u></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 reported in the governmental funds were as follows:

	<u>Property Taxes</u>	<u>Dredge Site Income</u>
General Fund	\$28,804	\$ -
Capital Projects Fund	<u>-</u>	<u>3,782</u>
Total	<u><u>\$28,804</u></u>	<u><u>\$3,782</u></u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance 12/31/2014	Increases	Decreases	Balance 12/31/2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$256,167	\$ -	\$ -	\$256,167

Note 6 LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2015, was as follow:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015	Due Within One Year
Governmental activities:					
Compensated absences payable	\$15,802	\$ -	(\$15,802)	\$ -	\$ -

Compensated absences payable are generally liquidated by the General Fund.

Note 7 OPERATING LEASES

The District was obligated under a long-term operating lease for office equipment from Ricoh starting October 16, 2012, expiring October 16, 2017. The lease requires minimum monthly payments of \$216. In 2015, \$2,592 was paid under this lease agreement.

The following is a schedule of future minimum lease payments under operating leases:

Year Ended December 31,	Office Equipment
2016	\$2,592
2017	2,159
Total Minimum Future Lease Payments	\$4,751

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 8 CONTINGENCIES

The District's management has indicated that there are no existing or pending lawsuits, claims or actions in which the District is a defendant.

Note 9 FUND BALANCE

CLASSIFICATIONS

At December 31, 2015, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Nine Foot Channel Fund</u>	<u>Total</u>
Nonspendable:			
Prepaid items	\$5,614	\$ -	\$5,614
Assigned:			
Seminary Fen Restoration	134,706	-	134,706
Resource Plan Implementation	70,021	-	70,021
Gully Stabilization	21,651	-	21,651
Savage Fen Project	5,000	-	5,000
Bluff Creek Project	50,000	-	50,000
Unassigned	<u>827,530</u>	<u>(198,704)</u>	<u>628,826</u>
Total	<u><u>\$1,114,522</u></u>	<u><u>(\$198,704)</u></u>	<u><u>\$915,818</u></u>

Note 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, errors and omissions and natural disasters for which the District carries insurance policies. The District retains risk for the deductible portions of the insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 11 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. 72 *Fair Value Measurement and Application*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015.

Statement No. 77 *Tax Abatement Disclosures*. The provisions of this Statement are effective for reporting periods beginning after December 31, 2015.

Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 79 *Certain External Investment Pools and Pool Participants*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing which are effective for reporting periods beginning after December 15, 2015.

Statement No. 80 *Blending Requirements for Certain Component Units*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81 *Irrevocable Split-Interest Agreements*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2016.

The effect these standards may have on future financial statements is not determinable at this time.

LOWER MINNESOTA RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 12 PRIOR PERIOD ADJUSTMENT – CHANGE IN ESTIMATE

In 2014, the District recorded revenue related to the estimated amount of dredging material to be received and sold under an agreement that specified all dredging material was considered sold upon signing of the agreement. The District did not receive the amount of dredging material expected and therefore was unable to sell as much as was estimated. As a result, revenues on the governments-wide Statement of Activities were overstated. Details of the prior period adjustment are as follows:

	<u>Governmental Activities</u>
Net position - January 1, 2015, as previously reported	\$1,098,939
Prior period adjustment:	
Overestimation of dredge site material sales revenue	<u>(32,125)</u>
Net position - January 1, 2015, as restated	<u><u>\$1,066,814</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

LOWER MINNESOTA RIVER WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Statement 6

For The Year Ended December 31, 2015

With Comparative Actual Amounts For The Year Ended December 31, 2014

	2015		Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Revenue:					
Property taxes - current and delinquent	\$570,000	\$570,000	\$560,391	(\$9,609)	\$568,166
Intergovernmental:					
Grants	-	-	6,617	6,617	10,472
Investment income	-	-	8,249	8,249	5,135
Miscellaneous	-	-	1,056	1,056	784
Total revenue	<u>570,000</u>	<u>570,000</u>	<u>576,313</u>	<u>6,313</u>	<u>584,557</u>
Expenditures:					
Engineering services	8,800	8,800	102,465	(93,665)	7,674
Salaries, payroll taxes and personnel expenses	-	-	-	-	17,481
Professional services	123,641	123,641	135,298	(11,657)	99,038
Insurance	32,000	32,000	7,053	24,947	8,151
Mileage and travel expenses	4,000	4,000	4,070	(70)	2,350
Office expense	26,720	26,720	23,924	2,796	21,287
Managers meeting expenses	4,800	4,800	7,071	(2,271)	4,110
509 planning/projects	175,000	175,000	58,043	116,957	60,461
Newsletter	1,200	1,200	-	1,200	-
Cooperative projects	438,000	438,000	125,900	312,100	91,564
Lobbying for funding	16,000	16,000	14,200	1,800	-
Total expenditures	<u>830,161</u>	<u>830,161</u>	<u>478,024</u>	<u>352,137</u>	<u>312,116</u>
Revenue over (under) expenditures	<u>(\$260,161)</u>	<u>(\$260,161)</u>	98,289	<u>\$358,450</u>	272,441
Fund balance - January 1			<u>1,016,233</u>		<u>743,792</u>
Fund balance - December 31			<u>\$1,114,522</u>		<u>\$1,016,233</u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
December 31, 2015

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

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
GENERAL FUND
December 31, 2015
With Comparative Amounts For December 31, 2014

Statement 7

	<u>2015</u>	<u>2014</u>
Assets		
Current assets:		
Cash and investments	\$1,267,810	\$1,193,771
Taxes receivable:		
Delinquent	28,804	26,726
Due from county	3,547	8,800
Accounts receivable	4,324	-
Due from other governments	500	1,000
Prepaid items	5,614	6,511
Total assets	<u>\$1,310,599</u>	<u>\$1,236,808</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities:		
Accounts payable	\$33,433	\$47,213
Due to other governments	26,068	21,446
Unearned revenue	107,772	109,388
Compensated absences:		
Due within one year	-	15,802
Total liabilities	<u>167,273</u>	<u>193,849</u>
Deferred inflows of resources:		
Unavailable revenue	28,804	26,726
Total deferred inflows of resources	<u>28,804</u>	<u>26,726</u>
Fund balance:		
Nonspendable	5,614	6,511
Assigned	281,378	253,571
Unassigned	827,530	756,151
Total fund balance	<u>1,114,522</u>	<u>1,016,233</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$1,310,599</u>	<u>\$1,236,808</u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
For The Year Ended December 31, 2015
With Comparative Amounts For The Year Ended December 31, 2014

Statement 8

	<u>2015</u>	<u>2014</u>
Revenue:		
Property taxes - current and delinquent	\$560,391	\$568,166
Intergovernmental:		
Grants	6,617	10,472
Investment income	8,249	5,135
Miscellaneous	1,056	784
Total revenue	<u>576,313</u>	<u>584,557</u>
Expenditures:		
Engineering services	102,465	7,674
Cooperative projects	125,900	91,564
Salaries, payroll taxes and personnel expenses	-	17,481
Professional services	135,298	99,038
Insurance	7,053	8,151
Mileage and travel expenses	4,070	2,350
Office expense	23,924	21,287
Managers meeting expenses	7,071	4,110
509 planning/projects	58,043	60,461
Lobbying for funding	14,200	-
Total expenditures	<u>478,024</u>	<u>312,116</u>
Revenue over expenditures	98,289	272,441
Fund balance - January 1	<u>1,016,233</u>	<u>743,792</u>
Fund balance - December 31	<u><u>\$1,114,522</u></u>	<u><u>\$1,016,233</u></u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
CAPITAL PROJECT FUND - NINE FOOT CHANNEL FUND
December 31, 2015
With Comparative Amounts For December 31, 2014

Statement 9

	<u>2015</u>	<u>2014</u>
Assets		
Current assets:		
Account receivable	<u>\$3,782</u>	<u>\$54,249</u>
Total assets	<u><u>\$3,782</u></u>	<u><u>\$54,249</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities:		
Cash overdraft	\$184,351	\$249,228
Accounts payable	11,136	5,208
Unearned revenue	<u>3,217</u>	<u>-</u>
Total liabilities	<u>198,704</u>	<u>254,436</u>
Deferred inflows of resources:		
Unavailable revenue	<u>3,782</u>	<u>52,502</u>
Total deferred inflows of resources	<u>3,782</u>	<u>52,502</u>
Fund balance:		
Unassigned	<u>(198,704)</u>	<u>(252,689)</u>
Total fund balance	<u>(198,704)</u>	<u>(252,689)</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$3,782</u></u>	<u><u>\$54,249</u></u>

LOWER MINNESOTA RIVER WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
CAPITAL PROJECT FUND - NINE FOOT CHANNEL FUND
For The Year Ended December 31, 2015
With Comparative Amounts For The Year Ended December 31, 2014

Statement 10

	<u>2015</u>	<u>2014</u>
Revenues:		
Property taxes current	\$49,157	\$45,944
Dredge site income	44,957	1,747
Total revenues	<u>94,114</u>	<u>47,691</u>
Expenditures:		
Salaries, payroll taxes and personnel expenses	-	419
Engineering services	828	1,248
Professional services	27,767	56,871
Insurance	1,763	2,038
Mileage and travel expenses	2,566	587
Office expense	5,438	5,178
Managers meeting expenses	1,767	1,258
Lobbying for funding	-	5,650
Total expenditures	<u>40,129</u>	<u>73,249</u>
Revenue over (under) expenditures	53,985	(25,558)
Fund balance (deficit) - January 1	<u>(252,689)</u>	<u>(227,131)</u>
Fund balance (deficit) - December 31	<u><u>(\$198,704)</u></u>	<u><u>(\$252,689)</u></u>

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SUPPLEMENTARY FINANCIAL INFORMATION

LOWER MINNESOTA RIVER WATERSHED DISTRICT
SCHEDULE OF 509 PLANNING/PROJECT EXPENDITURES
December 31, 2015
With Comparative Amounts For December 31, 2014

Exhibit 1

	<u>2015</u>	<u>2014</u>
Expenditures:		
Resource plan implementation	\$26,058	\$14,028
Watershed management plan	2,548	17,270
Public education	2,400	-
Cost share program	4,839	2,180
Monitoring	<u>22,198</u>	<u>26,983</u>
Total expenditures	<u><u>\$58,043</u></u>	<u><u>\$60,461</u></u>

OTHER INFORMATION - UNAUDITED

LOWER MINNESOTA RIVER WATERSHED DISTRICT
SCHEDULE OF CUMULATIVE EXPENDITURES
December 31, 2015

Table 1

	Cumulative Total Through 2014	2015 Activity	Cumulative Total Through 2015
Expenditures:			
General and administrative expenses	\$7,258,145	\$216,694	\$7,474,839
Special projects:			
Assumption Creek	8,642	-	8,642
Nichols Fen / Harnack / Kennealy Creeks	3,330	-	3,330
City of Burnsville	305	-	305
Chaska	1,231	-	1,231
Seminary Fen	39,637	1,867	41,504
Met Council	771	-	771
Chaska Creek	56,093	-	56,093
Chaska Lanes	5,219	-	5,219
Willow Creek	37,716	-	37,716
Groundwater monitoring	142,110	23,522	165,632
LMR model	51,105	-	51,105
Savage Fen	21,449	-	21,449
Fort Snelling State Park roadway relocation	60,023	-	60,023
Office of water resource and research	36,200	-	36,200
Mohr Park - Bloomington well project	11,956	-	11,956
Aerial photos	6,100	-	6,100
East Chaska Creek diversion	21,225	19,420	40,645
Special study	4,968	-	4,968
Legislative committee hearing	7,056	-	7,056
Flood plain - regulations and litigation	15,064	-	15,064
Cooperative projects with municipalities	1,339,258	-	1,339,258
Contingency reserve	10,884	-	10,884
State flood plain analysis	5,150	-	5,150
Savage - Credit River	24,465	-	24,465
Department of Natural Resources - Rice Lake	140	-	140
Off Channel fleeting	9,849	-	9,849
Deans Lake	4,984	20,813	25,797
Environmental assessment for McGowan Barge	1,357	-	1,357
Scott County - Historical Park	5,000	-	5,000
Scott County - Murphy's Landing	60,430	-	60,430
Prior Lake - Spring Lake	21,167	-	21,167
Casperson landing cooperative project	44,874	-	44,874
River bank stabilization	68,461	-	68,461
General benefit projects	773	-	773
Metro Council gauging station	46,802	-	46,802
55/62 intersection	6,538	-	6,538
Eagle Creek	100,123	8,015	108,138
Data collection	33,700	-	33,700
Resource plan implementation	65,872	25,350	91,222
Eden Prairie SWMP	1,554	-	1,554
Nichols Fen	4,949	-	4,949
Courthouse - firearms - clayhole	32,649	-	32,649
Cooperative project contingency reserve	33,210	-	33,210
Trout stream	904	-	904

LOWER MINNESOTA RIVER WATERSHED DISTRICT
SCHEDULE OF CUMULATIVE EXPENDITURES
December 31, 2015

Table 1

	Cumulative Total Through 2014	2015 Activity	Cumulative Total Through 2015
Expenditures (con't):			
BWSR Challenge Grant engineer	\$6,106	\$ -	\$6,106
Rainwater garden	35,000	-	35,000
Gully erosion inventory	7,000	-	7,000
Dakota County Fen	2,778	-	2,778
Miscellaneous	11,233	3,542	14,775
509 Plan general	27,641	-	27,641
Local management plans	5,040	2,772	7,812
Management plan	246,844	22,336	269,180
Chaska Lakes	12,171	-	12,171
Watershed assistance	7,881	-	7,881
Natural resources map	276	-	276
Public education	9,365	5,932	15,297
Strategic Resource evaluation	79,771	-	79,771
Cost share program	21,930	4,839	26,769
USGS	32,492	17,635	50,127
Long Meadow Outfall	-	100,000	100,000
Gully stabilization	-	875	875
Dred Scott Water Reuse Project	-	21,053	21,053
Nine Foot Channel	42,234	23,488	65,722
	<u>\$10,259,200</u>	<u>\$518,153</u>	<u>\$10,777,353</u>

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OTHER REPORTS

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REPORT ON INTERNAL CONTROL

To the Board of Managers and Management
Lower Minnesota River Watershed District
Chaska, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Lower Minnesota River 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 Lower Minnesota River Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lower Minnesota River Watershed District's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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, Lower Minnesota River 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

April 22, 2016

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MINNESOTA LEGAL COMPLIANCE REPORT

To the Honorable Managers of the
Lower Minnesota River Watershed District
Chaska, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Lower Minnesota River Watershed District, as of and for the year ended December 31, 2015 and the related notes to the financial statements, and have issued our report thereon dated April 22, 2016.

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

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

This report is intended solely for the information and use of those charged with governance and management of Lower Minnesota River 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

April 22, 2016

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