

PIONEER-SARAH CREEK WATERSHED
MANAGEMENT COMMISSION

Financial Statements and
Supplemental Information
Year Ended
December 31, 2014

Pioneer-Sarah Creek Watershed Management Commission

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pioneer-Sarah Creek Watershed Management Commission
Plymouth, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Pioneer-Sarah Creek Watershed Management Commission (the Commission), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Commission's 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 an opinion 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 of 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 Commission'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 reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Commission as of December 31, 2014, the respective changes in the financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The prior year partial comparative information has been derived from the Commission's financial statements for the year ended December 31, 2013 and, in our report dated April 9, 2014, we expressed an unqualified opinion on the financial statements of the governmental activities and major fund. The financial statements include prior year partial comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2013, from which such information was derived.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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. The Commission has not presented the MD&A that accounting principles generally accepted in the United States of America have determined necessary to supplement, although not required to be part of, the basic financial statements.

Other Reporting

We have also issued our report dated April 13, 2015, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

Johnson & Company, Ltd.

April 13, 2015

BASIC FINANCIAL STATEMENTS

Pioneer-Sarah Creek Watershed Management Commission

Statement of Net Position and
Governmental Fund Balance Sheet

As of December 31, 2014

(with Partial Comparative Actual Amounts as of December 31, 2013)

	Governmental Activities	
	2014	2013
Assets		
Investments	\$ 121,787	\$ 96,023
Accounts receivable	14,125	4,239
Total assets	<u>\$ 135,912</u>	<u>\$ 100,262</u>
Liabilities and Fund Balances/Net Position		
Liabilities		
Accounts payable	\$ 16,088	\$ 22,267
Fund balances/net position		
Restricted fund balances/net position		
Restricted for guarantee fees	14,363	14,363
Assigned fund balances/net position		
Assigned for third generation plan	-	11,096
Assigned for capital improvement projects	25,968	10,110
Assigned for watershed restoration and protection plan	12,687	9,406
Unrestricted/unassigned fund balances/net position	66,806	33,020
Total assigned or unrestricted fund balances/net position	<u>105,461</u>	<u>63,632</u>
Total fund balances/net position	<u>119,824</u>	<u>77,995</u>
Total liabilities and fund balances/net position	<u>\$ 135,912</u>	<u>\$ 100,262</u>

Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances/Net Position
Budget and Actual

Year Ended December 31, 2014

(with Partial Comparative Actual Amounts for the Year Ended December 31, 2013)

	Governmental Activities			
	2014		2013	
	Original and Final Budget	(Audited)	(Over) Under	(Audited)
Program/project expenditures/expenses				
General government				
Invertebrate monitoring	\$ 1,500	\$ 1,500	\$ -	\$ 750
Lakes monitoring	3,960	3,950	10	2,370
Stream monitoring	3,900	3,900	-	-
Project reviews	1,000	-	1,000	-
WCA - expense	500	191	309	303
Watershed wide TMDL/WRAPP	-	15,631	(15,631)	55,671
Watershed wide TMDL/WRAPP - administrative	-	-	-	5,487
Lake Sarah TMDL	-	-	-	7,706
Lake Independence feasibility / nutrient	-	145	(145)	-
Technical support	20,000	13,955	6,045	18,000
Third generation plan	5,000	13,260	(8,260)	34,799
Third generation plan administration	-	7,185	(7,185)	6,116
Manure management - TRPD	-	-	-	781
Bulrush restoration program	-	6,000	(6,000)	-
Capital improvement projects	20,000	3,543	16,457	6,889
Total program/project expenditures/expenses	55,860	69,260	(13,400)	138,872
Program/project revenues				
General government				
Membership dues	101,000	101,000	-	94,225
Third generation plan	5,000	5,000	-	7,500
Capital improvement projects	20,000	20,000	-	14,000
Bulrush restoration program	-	5,400	5,400	-
WCA administration fees	500	650	150	200
Project review fees	1,000	6,350	5,350	5,250
Manure management - TRPD	-	-	-	781
Lake Sarah TMDL	-	-	-	7,706
Watershed wide TMDL/WRAPP	-	18,913	18,913	50,479
Total program/project revenues	127,500	157,313	29,813	180,141
Net program/project revenues	71,640	88,053	16,413	41,269
General expenditures/expenses				
Administration	53,700	35,711	17,989	36,550
Insurance	3,300	2,751	549	2,720
Legal and audit services	5,500	4,392	1,108	4,363
Website	2,200	1,804	396	2,606
Education	2,500	1,589	911	1,030
Bookkeeping	-	-	-	2,195
Contingency	2,000	-	2,000	-
Total general expenditures/expenses	69,200	46,247	22,953	49,464
General revenues				
Interest and dividend income	20	23	3	21
Total general revenues	20	23	3	21
Net general revenues (expenditures/expenses)	(69,180)	(46,224)	22,956	(49,443)
Change in net position	\$ 2,460	41,829	\$ 39,369	(8,174)
Fund balances/net position - assigned or unrestricted				
Beginning of year		63,632		71,806
End of year		\$ 105,461		\$ 63,632

See notes to basic financial statements

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements
December 31, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization

The Pioneer-Sarah Creek Watershed Management Commission is formed under a Joint Powers Agreement, as amended according to Minnesota Statutes Sections 103B.201 through 103B.255 and Minnesota Rules Chapter 8410 relating to Metropolitan Area Local Water Management and its reporting requirements. Pioneer-Sarah Creek Watershed Management Commission was established in October, 1984 to protect and manage the natural resources of the Pioneer-Sarah Creek Watershed.

The Commission is considered a governmental unit, but is not a component unit of any of its members. As a governmental unit, the Commission is exempt from federal and state income taxes.

Reporting Entity

A joint venture is a legal entity resulting from a contractual agreement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain either an ongoing financial interest or an ongoing financial responsibility. The Commission is considered a joint venture.

As required by accounting principles generally accepted in the United States of America, these financial statements include the Commission (the primary government) and its component units. Component units are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component's unit board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no component units required to be included in the Commission's financial statements.

Government-Wide and Fund Financial Statement Presentation

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information about the reporting government as a whole. These statements include all the financial activities of the Commission. 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 or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and grants or contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other internally directed revenues are reported instead as general revenues.

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 eligibility requirements imposed by the provider have been met.

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

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 Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Fund Financial Statement Presentation

The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, expenditures, additions, and deductions. Resources are allocated to, and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The resources of the Commission are accounted for in one fund:

- **General Fund (Governmental Fund Type)** - This fund is used to receive dues and miscellaneous items which may be disbursed for any and all purposes authorized by the bylaws of the Commission.

Typically, separate fund financial statements are provided for Governmental Funds. However, due to the simplicity of the Commission's operation, the Governmental Fund financial statements have been combined with the Government-Wide statements.

Budgets

The amounts shown in the financial statements as "budget" represent the budget amounts based on the modified accrual basis of accounting. A budget for the General Fund is adopted annually by the Commission. Appropriations lapse at year-end and encumbrance accounting is not used. Budgetary control is at the fund level.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

The Commission follows the policy of expensing any supplies or small equipment at the time of purchase. The Commission currently has no capitalized assets.

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

The Commission is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; error and omissions; and natural disasters. The Commission participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property, casualty, and other miscellaneous insurance coverage's. LMCIT operates as a common risk management and insurance program for a large number of cities in Minnesota. The Commission pays an annual premium to LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage during the year ended December 31, 2014.

Members' Contributions

Members' contributions are calculated based on the member's share of the taxable market value of all real property within the watershed to the total market value of all real property in the watershed.

Receivables

The Commission utilizes an allowance for uncollectible accounts to value its accounts receivables; however, all of the accounts receivables as of December 31, 2013 have been collected and the accounts receivables of \$14,125 at December 31, 2014 are expected to be collected in 2015.

Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements.

Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2013, from which the summarized information was derived. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2014

NOTE 2 - ASSETS, LIABILITIES AND NET POSITION

A. Deposits

In accordance with applicable Minnesota Statutes, the Commission maintains a checking account authorized by the Commission.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The Commission has no additional deposit policies addressing custodial credit risk.

At year-end, the Commission had no funds held in its bank account. All funds were transferred to their 4M Fund investment account. (see below)

B. Investments

At December 31, 2014 and 2013 the Commission held \$121,787 and \$96,023 (approximate cost and fair value), respectively, in investments with PMA Financial Network in Minnesota 4M Funds Holdings.

The 4M fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The 4M Fund is a customized cash management and investment program for Minnesota public funds that is allowable under Minnesota Statutes. The fair value of the position in the pool is the same as the value of the pool shares.

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2014

NOTE 2 - ASSETS, LIABILITIES AND NET POSITION (CONTINUED)

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk - For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the Commission would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a formal investment policy addressing this risk, but typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the Commission's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The Commission's investment policies do not further address credit risk.

Concentration Risk - This is the risk associated with investing a significant portion of the Commission's investment (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The Commission does not have an investment policy limiting the concentration of investments.

Interest Rate Risk - This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The Commission does not have an investment policy limiting the duration of investments.

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2014

NOTE 3 - FUND BALANCE CLASSIFICATIONS

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable** - amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- **Restricted** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation;
- **Committed** - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- **Assigned** - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- **Unassigned** - amounts that are available for any purpose; these amounts are reported only in the general fund.

The Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Commission through adoption or amendment of the budget as intended for specific purpose.

Restricted fund balance is comprised of the following:

The WCA Monitoring Guarantee Restricted Funds are for wetland mitigation projects. The initial monitoring fee is set by the commission per project and is to be reduced over a five year period provided the project meets the requirement of the mitigation.

The WCA Replacement Guarantee Restricted Funds are received as guarantee that the mitigation will perform as required. Upon completion, and if the project meets the qualified plan requirements, these financial guarantees are refunded.

The Administrative Guarantee Restricted Funds are received as guarantee that the project administration fees are paid. The restricted amount is reduced as project-related administrative expenses arise. Any residual funds not used are refunded upon completion of the project.

Pioneer-Sarah Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2014

NOTE 4 - COMMITMENTS AND CONTRACTS

Three Rivers Park District (the District) - Lake Independence project

During 2013, the Commission and the District had entered into a Cooperative Water Resources Management Project Joint Powers Agreement to assess the water quality and prevent further degradation at Lake Independence. The Commission and the District will share responsibilities, as outlined in the contract. The District will provide up to \$50,000 in cost-sharing funding for this project, which \$781 was incurred in the year ended December 31, 2013. The Commission did not have any project-related expenses during the year ended December 31, 2014.

Minnesota Pollution Control Agency (MPCA) - Watershed-wide TMDL Project

During 2013, the MPCA contracted the Commission to conduct a water monitoring program of the Pioneer-Sarah Creek watershed for a cost not to exceed \$103,415. The Commission has contracted Three Rivers Park District and the University of Minnesota to perform the services in conjunction with this project. The Commission earned revenue of \$18,913 and \$50,479 from this grant during the years ended December 31, 2014 and 2013, respectively. The Commission incurred expenditures of \$15,631 and \$55,671 in associated costs for the years ended December 31, 2014 and 2013, respectively.

Conservation Partners Legacy Grant Program - Bulrush Restoration

During 2014, the State of Minnesota provided a grant not to exceed \$5,400 of expenses associated with the bulrush restoration program on Lake Independence. The Commission incurred expenditures of \$6,000 in associated costs and recorded receivables of \$5,400 from the State of Minnesota for the year ended December 31, 2014.

NOTE 5 - MEMBERS' CONTRIBUTIONS

Dues received from members were as follows:

	Year Ended December 31			
	2014		2013 (for comparison)	
	Amount	Percentage	Amount	Percentage
Greenfield	\$ 37,195	29.52 %	\$ 34,027	29.40 %
Independence	48,649	38.61	43,201	37.33
Loretto	4,712	3.74	4,557	3.94
Maple Plain	9,274	7.36	9,283	8.02
Medina	13,469	10.69	12,624	10.91
Minnetrista	12,701	10.08	12,032	10.40
	<u>\$126,000</u>	<u>100.00 %</u>	<u>\$115,725</u>	<u>100.00 %</u>

OTHER REQUIRED REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

Board of Directors
Pioneer-Sarah Creek Watershed Management Commission
Plymouth, MN 55447

We have audited, in accordance with the auditing standards generally accepted in the United States of America the financial statements of the governmental activities and the major fund of the Pioneer-Sarah Creek Watershed Management Commission 2014 (the Commission) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the 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 the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. We did identify the following deficiencies in internal control that we consider to be significant deficiencies:

Because of the limited size of your office staff, your organization has limited segregation of duties. A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to completion. While we recognize that your organization is not large enough to permit an adequate segregation of duties in all respects, it is important that you be aware of the condition.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson & Company Ltd

April 13, 2015

INDEPENDENT AUDITORS' REPORT
ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Pioneer-Sarah Creek Watershed Management Commission
Plymouth, Minnesota

We have audited the financial statements of the governmental activities and major fund of the Pioneer-Sarah Creek Watershed Management Commission (the Commission) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 13, 2015.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* 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 study included all of the listed categories.

The results of our tests indicate that for the items tested, the Commission complied with the material terms and conditions of applicable legal provisions.

The purpose of this report on Minnesota legal compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute 6.65. Accordingly, this report is not suitable for any other purpose.

Johnson & Company Ltd

April 13, 2015

PIONEER SARAH CREEK WATERSHED MANAGEMENT COMMISSION

	2014 Budget	2015 Budget
INCOME		
Operating Revenue		
Member assessments	\$ 101,000	\$ 106,760
Project Review Fees	\$ 1,000	\$ 1,000
WCA Adm Fees	\$ 500	\$ 500
Interest and Dividend Income	\$ 20	\$ 20
	\$ 102,520	\$ 108,280
EXPENSES		
Operating expenses		
Engineering/Consulting	\$ 20,000	\$ 22,500
Administrative Expense	\$ 50,000	\$ 47,000
Adm-Project Reviews	\$ 1,000	\$ 700
WCA - Admin/Legal Expenses	\$ 500	\$ 400
Adm - Tech Support	\$ 2,200	\$ 1,000
Legal Expense	\$ 1,500	\$ 500
Audit Expense	\$ 4,000	\$ 4,000
Insurance	\$ 3,300	\$ 3,300
	\$ 82,500	\$ 79,400
Program Deliverables and Education		
Administration - General Programs	\$ 1,500	\$ 1,000
Technical Advisory Committee	\$ -	\$ 3,000
Lakes Monitoring -TRPD	\$ 3,400	\$ 3,600
Lakes Monitoring -CAMP	\$ 560	\$ 560
Stream Monitoring	\$ 3,900	\$ 7,000
Management Plan Amendment	\$ -	\$ 1,000
General Education	\$ 2,000	\$ 6,000
Education-Events	\$ 500	\$ 500
Grant Writing		\$ 1,000
Invertebrate Monitoring	\$ 1,500	\$ 1,500
Website	\$ 2,200	\$ 2,200
	\$ 15,560	\$ 27,360
Contingency		
Contingency Reserve	\$ 2,000	\$ -
	\$ 2,000	\$ -
Special Funds		
CIP For Project Funds & Sub Watershed Assesments	\$ 20,000	\$ 20,000
3rd Generation Plan funding	\$ 5,000	\$ -
	\$ 25,000	\$ 20,000
GRAND TOTAL	\$ 125,060	\$ 126,760
TOTAL FOR CITY ASSESSMENTS (fee + Special funds)	\$ 126,000	\$ 126,760

Pioneer-Sarah Creek Watershed Management Commission

Member Assessments

2014 Approved	2013 Market Value PSC Basin	Increase in MV over Prev Year	2014 Total Assessment		Increase over Prev Year	
			%age	Amount	%age	Amount
Greenfield	365,010,854	-4.25%	29.52%	37,195.20	9.31%	3,167.86
Independence	477,361,467	-1.37%	38.61%	48,648.60	12.61%	5,447.64
Loretto	46,244,015	-9.42%	3.74%	4,712.40	3.41%	155.40
Maple Plain	91,010,859	-12.49%	7.36%	9,273.60	-0.10%	\$ (9.62)
Medina	132,129,100	-6.58%	10.69%	13,469.40	6.69%	845.16
Minnetrista	124,675,269	-7.51%	10.08%	12,700.80	5.56%	668.56
TOTALS	1,236,431,564	-4.63%	100.00%	126,000.00	8.88%	10,275.00
2015 Approved	2014 Market Value PSC Basin	Increase in MV over Prev Year	2015 Op Budget		Increase over Prev Year	
			%age	Amount	%age	Amount
Greenfield	350,761,259	-3.90%	28.05%	35,539.65	-4.45%	(1,655.55)
Independence	480,214,274	0.60%	38.40%	48,656.01	0.02%	7.41
Loretto	48,868,030	5.67%	3.91%	4,951.38	5.07%	238.98
Maple Plain	97,240,148	6.84%	7.78%	9,852.51	6.24%	578.91
Medina	149,430,452	13.09%	11.95%	15,140.51	12.41%	1,671.11
Minnetrista	124,158,610	-0.41%	9.93%	12,579.93	-0.95%	(120.87)
TOTALS	1,250,672,773	1.15%	100.00%	126,720.00	0.57%	720.00

Treasurer's Report
Pioneer-Sarah Creek Watershed
Income Statement
Compared with Budget
For the Twelve Months Ending December 31, 2014

	Annual Approved Budget	Year to Date Actual	Year to Date Budget Projection	Year to Date Variance
Revenues				
Member Dues	\$ 101,000.00	\$ 101,000.00	\$ 101,000.00	0.00
Project Review Fees	1,000.00	6,350.00	1,000.00	5,350.00
WCA Adm Fees	500.00	650.00	500.00	150.00
Interest and Dividend Income	20.00	23.35	20.00	3.35
Total Revenues	102,520.00	108,023.35	102,520.00	5,503.35
Operating Expenses				
Engineering/Consulting	20,000.00	12,308.00	20,000.00	7,692.00
Administrative Expense	50,000.00	35,062.33	50,000.00	14,937.67
Adm-Project Reviews	1,000.00	590.67	1,000.00	409.33
WCA - Admin/Legal Expenses	500.00	191.29	500.00	308.71
Adm - Tech Support	2,200.00	58.15	2,200.00	2,141.85
Legal Expense	1,500.00	391.50	1,500.00	1,108.50
Audit Expense	4,000.00	4,000.00	4,000.00	0.00
Insurance	3,300.00	2,751.00	3,300.00	549.00
Website	2,200.00	1,803.90	2,200.00	396.10
Adm - General Programs	1,500.00	0.00	1,500.00	1,500.00
Lakes Monitoring - TRPD	3,400.00	3,400.00	3,400.00	0.00
Lakes Monitoring - CAMP	560.00	550.00	560.00	10.00
Stream Monitoring	3,900.00	3,900.00	3,900.00	0.00
Education	2,000.00	1,589.17	2,000.00	410.83
Education-Events	500.00	0.00	500.00	500.00
Invertebrate Monitoring	1,500.00	1,500.00	1,500.00	0.00
Contingency - Other	2,000.00	1,646.94	2,000.00	353.06
Total Operating Expenses	100,060.00	69,742.95	100,060.00	30,317.05
Fund Expenses				
Third Generation Plan	25,090.00	13,260.00	16,096.09	2,836.09
Third Gen - Admin	0.00	7,184.96	0.00	(7,184.96)
WRAPP	77,000.00	9,324.54	77,000.00	67,675.46
Lk Indep Nutrient Mgmt/Co	0.00	145.00	0.00	(145.00)
Capital Improvement Project	5,300.00		5,300.00	5,300.00
Lake Independence Outlet (CIP)	29,700.00	426.63	29,700.00	29,273.37
Lk Sarah TMDL Imple - CLP Treatment	0.00	2104.73	2,104.73	0.00
Lk Indep TMDL Imple - Bullrush grant	0.00	600.00	600.00	0.00
DanceHall Creek Assessment	0.00	985.00	985.00	0.00
CIP Admin	0.00	810.26	0.00	(810.26)
Total Fund Expenses	137,090.00	34,841.12	131,785.82	96,944.70
Total Expenses	237,150.00	104,584.07	231,845.82	127,261.75
Net Income	(\$ 134,630.00)	\$ 3,439.28	(\$ 129,325.82)	(\$ 121,758.40)

Third Generation Plan: YTD budget projection = the total amount remaining in the Third Generation Fund after 2013

Lake Sarah TMDL INCOME* 7,527.57 0.00 7,527.57

Lake Sarah TMDL Implementation EXPENSE* 0.00 7,527.57 0.00 (7,527.57)

* TRPD reimbursed \$7527.57, non-reimbursed amount applied to CIP

CIP Admin includes Dance Hall Creek copies, communication with cities re submitting CIPs, etc.

Year to Date budget projections for CIP projects includes items approved after the annual budget was set.

Items in Accounts Payable 2014

Treasurer's Report

Pioneer-Sarah Creek Watershed

Balance Sheet

December 31, 2014

FUND BALANCES	1/1/14 Balance	2014 Income	2014 Expenses	12/31/14 Ending Balance
WCA Replacement Guarantee	6,850.00			6,850.00
WCA Monitoring Guarantee	6,816.44			6,816.44
WCA Administrative Guarantee	696.78			696.78
Third Generation Plan Res	16,096.09		20,444.96	(4,348.87)
WRAPP Encumbered	18,464.50		9,324.54	9,139.96
CIP Fund	10,109.60	20,000.00	4,926.62	25,182.98
Retained Surplus	33,019.98			33,019.98
Net Income	<u>3,439.28</u>			<u>3,439.28</u>
 Total Funds	 95,492.67			 80,796.55