

**METROPOLITAN
CONSERVATION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Metropolitan Conservation District
Jordan, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Metropolitan Conservation District, Jordan, Minnesota, as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the general fund of the Metropolitan Conservation District, Jordan, Minnesota as of December 31, 2014, and the respective changes in financial position, and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–5 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2015, on our consideration of the Metropolitan Conservation District internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan Conservation District internal control over financial reporting and compliance.

Peterson Company Ltd

PETERSON COMPANY LTD.
Certified Public Accountants
Waconia, Minnesota

October 9, 2015

**MANAGEMENT'S DISCUSSION AND ANALYSIS
METROPOLITAN CONSERVATION DISTRICT
DECEMBER 31, 2014**

The Metropolitan Conservation District (Metropolitan Conservation District, or District) was organized under provisions of Minnesota Statutes Chapter 103C. The District is governed by a Board of Supervisors composed of representatives from member Soil and Water Conservation Districts. The member Soil and Water Conservation Districts are Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright.

The Metropolitan Conservation District's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2014. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, financial statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Since Districts are single-purpose, special-purpose governments, they are generally able to combine the government-wide and fund financial statements into a single presentation.

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position — the difference between assets and liabilities — as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the state and local governmental funding, to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, the District presents governmental activities. All of the District's basic services are reported here. Appropriations from the state finance most activities.

THE DISTRICT AS A WHOLE

Our analysis below focuses on the net position and change in net position of the District's governmental activities.

Net Position:

	Governmental Activities	
	2014	2013
Current Assets	\$ 410,401	\$ 354,090
Capital Assets, net of depreciation	76,403	26,172
Total Assets	\$ 486,804	\$ 380,262
Liabilities, Unearned Revenue	\$ 339,920	\$ 284,069
Total Liabilities	\$ 339,920	\$ 284,069
Investment in Capital Assets	\$ 76,403	\$ 26,172
Unrestricted	70,481	70,021
Total Net Position	\$ 146,884	\$ 96,193

Net position of the District's governmental activities increased by \$50,691. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from \$70,021 at December 31, 2013 to \$70,481 at the end of this year.

Change in Net Position:

	Governmental Activities	
	2014	2013
<u>Revenues</u>		
Intergovernmental	\$ 339,384	\$ 111,174
Investment Earnings	800	732
Miscellaneous	9,921	5,654
Total Revenues	\$ 350,105	\$ 117,560
<u>Expenditures</u>		
Conservation	\$ 299,414	\$ 211,702
Total Expenditures	\$ 299,414	\$ 211,702
Increase (decrease) in Net Position	\$ 50,691	\$ (94,142)

The District's total revenues increased by \$232,545. The total cost of programs and services increased by \$87,712.

THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported a combined fund balance of \$70,481, which is above last year's total of \$70,021.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$136,830 over the final budgeted amounts. The most significant negative variance of \$107,311 occurred in Other Services and Charges. The most significant positive variance of \$140,184 occurred in State Grant Revenue.

CAPITAL ASSETS & LONG-TERM LIABILITIES

Capital Assets

At the end of 2014, the District had \$76,403 invested in a broad range of capital assets, including equipment and software. This amount represents a net increase of \$50,231.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This annual financial report is designed to provide our citizens a general overview for those interested in the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Metropolitan Conservation District at 7151 W 190th Street, Suite 125, Jordan, MN 55352. The phone number is (952) 492-5425.

**METROPOLITAN CONSERVATION DISTRICT
JORDAN, MN
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2014**

	General Fund	Adjustments	Statement of Net Position
<u>Assets</u>			
Cash and Investments	\$ 383,354	\$ -	\$ 383,354
Accounts Receivable	5,429	-	5,429
Due from Other Governments	21,618	-	21,618
Capital Assets:			
Equipment (net of accumulated depreciation)	-	76,403	76,403
Total Assets	\$ 410,401	\$ 76,403	\$ 486,804
<u>Liabilities</u>			
Current Liabilities:			
Unearned Revenue	\$ 319,909	\$ -	\$ 319,909
Accounts Payable	20,011	-	20,011
Total Liabilities	\$ 339,920	\$ -	\$ 339,920
<u>Fund Balance/Net Position</u>			
Fund Balance			
Unassigned	\$ 70,481	\$ 70,481	\$ -
Total Fund Balance	\$ 70,481	\$ 70,481	\$ -
Net Position			
Investments in Capital Assets		\$ 76,403	\$ 76,403
Unrestricted		70,481	70,481
Total Net Position		\$ 146,884	\$ 146,884

Notes are an integral part of the basic financial statements.

**METROPOLITAN CONSERVATION DISTRICT
JORDAN, MN
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 339,384	\$ -	\$ 339,384
Interest Earnings	800	-	800
Miscellaneous	9,921	-	9,921
Total Revenues	<u>\$ 350,105</u>	<u>\$ -</u>	<u>\$ 350,105</u>
Expenditures/Expenses			
Conservation			
Current	\$ 285,885	\$ 13,529	\$ 299,414
Capital Outlay	63,760	(63,760)	-
Total Expenditures/Expenses	<u>\$ 349,645</u>	<u>\$ (50,231)</u>	<u>\$ 299,414</u>
Excess of Revenues Over (Under) Expenditures/Expenses	<u>\$ 460</u>	<u>\$ 50,231</u>	<u>\$ 50,691</u>
Fund Balance/Net Position January 1	<u>\$ 70,021</u>	<u>\$ 26,172</u>	<u>\$ 96,193</u>
Fund Balance/Net Position December 31	<u><u>\$ 70,481</u></u>	<u><u>\$ 76,403</u></u>	<u><u>\$ 146,884</u></u>

Notes are an integral part of the basic financial statements.

**METROPOLITAN CONSERVATION DISTRICT
JORDAN, MN
BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014**

	Original/ Final Budget	Actual	Variance With Final Budget Positive (Neg)
Revenues			
Intergovernmental			
Local	\$ 5,500	\$ 6,385	\$ 885
State Grants	192,815	332,999	140,184
Total Intergovernmental	<u>\$ 198,315</u>	<u>\$ 339,384</u>	<u>\$ 141,069</u>
Miscellaneous			
Interest Earnings	\$ -	\$ 800	\$ 800
Other	11,500	9,921	(1,579)
Total Miscellaneous	<u>\$ 11,500</u>	<u>\$ 10,721</u>	<u>\$ (779)</u>
 Total Revenues	 <u>\$ 209,815</u>	 <u>\$ 350,105</u>	 <u>\$ 140,290</u>
Expenditures			
Fund Balance/Net Assets			
Engineering Contract Services	\$ 100,000	\$ 84,259	\$ 15,741
Other Services and Charges	94,315	201,626	(107,311)
Capital Outlay	18,500	63,760	(45,260)
Total District Operations	<u>\$ 212,815</u>	<u>\$ 349,645</u>	<u>\$ (136,830)</u>
 Total Expenditures	 <u>\$ 212,815</u>	 <u>\$ 349,645</u>	 <u>\$ (136,830)</u>
 Excess of Revenues Over (Under) Expenditures	 <u>\$ (3,000)</u>	 <u>\$ 460</u>	 <u>\$ 3,460</u>
 Fund Balance - January 1	 <u>\$ 70,021</u>	 <u>\$ 70,021</u>	 <u>\$ -</u>
 Fund Balance - December 31	 <u><u>\$ 67,021</u></u>	 <u><u>\$ 70,481</u></u>	 <u><u>\$ 3,460</u></u>

Notes are an integral part of the basic financial statements.

**METROPOLITAN CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 1 - Summary of Significant Accounting Policies

The financial reporting policies of the Metropolitan Conservation District conform to generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

Financial Reporting Entity

The Metropolitan Conservation District is organized under the provisions of Minnesota Statutes. The District is governed by a Board of Supervisors composed of one member from each of the participating Soil and Water Conservation Districts.

The purpose of the District is to help member Districts improve their efficiency and capacity to deliver local conservation programs and services that promote conservation of soil, water and related natural resources, as well as to assist with implementation of projects having mutual benefits. Improved efficiency and capacity are achieved by administering coordinated programs that provide economies of scale and shared technical expertise that Districts – operating independently – would not have.

Each fiscal year the District develops a work plan which is used as a guide in using resources effectively to provide maximum conservation of all lands within its boundaries. The work plan includes guidelines for employees and technicians to follow in order to achieve the District's objectives.

Generally accepted accounting principles require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principles the District does not have any component units.

Government-Wide 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 District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

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 cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

The government reports the General Fund as its only major governmental fund. The general fund accounts for all financial resources of the government.

**METROPOLITAN CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period.

Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures are recorded when a liability is incurred under accrual accounting.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred.

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange Transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

Budget Information

The District adopts an estimated revenue and expenditure budget for the general fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require board approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

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 reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities and Net Position

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Assets

Investments are stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost.

Capital assets are reported on a net (depreciated) basis. General capital assets are valued at historical or estimated historical cost.

**METROPOLITAN CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Liabilities

Long-term liabilities, such as compensated absences, are accounted for as an adjustment to net position.

Classification of Net Position

Net position in the government-wide financial statements are classified in the following categories:

Investment in capital assets – the amount of net position representing capital assets net of accumulated depreciation.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or investment in capital assets.

Classification of Fund Balances

The District follows Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*.

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation.

Committed – the committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the District Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – amounts in the assigned fund balance classification the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses

**METROPOLITAN CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

established by the Board or the District Administrator who has been delegated that authority by Board resolution.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other fund balance classifications.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Explanation of Adjustments Column in Statements

Capital Assets: In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made if the District has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date, and reconciles to the amount reported in the Capital Assets Note.

Long-Term Liabilities: In the Statement of Net Position and Governmental Fund Balance Sheet, an adjustment is made to reflect the total Compensated Absence Liability the District has as of the report date. See note on Long-Term Liabilities.

Depreciation and Change in Compensated Absences for the year: In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in the note on Long-Term Liabilities.

Risk Management

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Intergovernmental Trust. The District retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

The Minnesota Counties Intergovernmental Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The District pays an annual premium based on its annual payroll. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

**METROPOLITAN CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 2 - Detailed Notes

Capital Assets

Changes in Capital Assets, Asset Capitalization and Depreciation.

	<u>Beginning</u>	<u>Addition</u>	<u>Deletion</u>	<u>Ending</u>
Equipment	\$93,063	\$63,760	\$0	\$156,823
Less: Accumulated Depreciation	<u>66,891</u>	13,529	0	<u>80,420</u>
Net Capital Assets	<u>\$26,172</u>			<u>\$ 76,403</u>

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. For the purpose of computing depreciation, the useful lives of Machinery and Equipment is 5 to 10 years. Current year depreciation is \$13,529.

Unearned Revenue

Unearned revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded. Unearned revenue for the year ended December 31, 2014, consists of the following: NPEA, \$185,708; SWA, \$120,828; Children's Water Festival, \$13,373; Total, \$319,909.

Deposits

Minnesota Statutes 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or 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.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. Through the year of 2014, the District's deposits were at times exposed to custodial credit risk.

**METROPOLITAN CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 3 – Fiscal Agents and Hosts

The Scott Soil and Water Conservation District is the fiscal agent for the District. The Scott Soil and Water Conservation District is also the host for the Non-Point Engineering Assistance Program. The Washington Conservation District was the host for the Subwatershed Assistance Program through December 31, 2014.

Note 4 – Stewardship, Compliance and Accountability

Excess of expenditures over budget – The General Fund had expenditures in excess of budget for the year as follows: Expenditures \$349,645; Budget \$212,815; Excess \$136,830.

Note 5 - Reconciliation of Fund Balance to Net Position

Governmental Fund Balance, January 1	\$ 70,021
Plus: Excess of Revenue Over Expenditures	<u>460</u>
Governmental Fund Balance, December 31	<u>\$ 70,481</u>
Adjustments from Fund Balance to Net Position:	
Plus: Capital Assets	<u>\$ 76,403</u>
Net Position	<u>\$146,884</u>

Note 6 - Reconciliation of Change in Fund Balance to Change in Net Position

Change in fund balance	\$. 460
Capital Outlay	63,760
The cost of capital assets are allocated over the capital asset's useful lives at the government-wide level.	(13,529)
Net change in net position	<u>\$ 50,691</u>

MINNESOTA LEGAL COMPLIANCE REPORT

Board of Supervisors
Metropolitan Conservation District
Jordan, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of Metropolitan Conservation District of Jordan, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated October 9, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, depositories of public funds, public investments, and miscellaneous provisions. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness because the District is not allowed to issue debt.

In connection with our audit, Metropolitan Conservation District failed to comply with the deposits and investments provision of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining the knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Metropolitan Conservation District's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Peterson Company Ltd

PETERSON COMPANY LTD.
Certified Public Accountants
Waconia, Minnesota

October 9, 2015

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Supervisors
Metropolitan Conservation District
Jordan, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Metropolitan Conservation District of Jordan, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Metropolitan Conservation District's basic financial statements and have issued our report thereon dated October 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Metropolitan Conservation District 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 Metropolitan Conservation District's internal control.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metropolitan Conservation District 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Peterson Company Ltd

PETERSON COMPANY LTD.
Certified Public Accountants
Waconia, Minnesota

October 9, 2015