

Annual Financial Report

Vadnais Lake Area Water Management Organization

Vadnais Heights, Minnesota

For the Year Ended
December 31, 2014

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VADNAIS LAKE AREA WATER
MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2014

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VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
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INTRODUCTORY SECTION

VADNAIS LAKE AREA WATER
MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
BOARD OF DIRECTORS AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2014

BOARD OF DIRECTORS

Name	Title	Member City
Marc Johannsen	Chairperson	Vadnais Heights
Dan Jones	Vice Chair	White Bear Lake
Bruce Ackerman (resigned April 2014)	Secretary/Treasurer	North Oaks
John Schaaf (appointed June 2014)	Director	North Oaks
Bill Mample	Director	White Bear Township
Rob Rafferty	Director	Lino Lakes
Robert Uzpen	Director	Gem Lake

TECHNICAL COMMISSION

Name	Title	Member City
Paul Peterson	Chairperson	White Bear Township
Mark Graham	Vice Chair	Vadnais Heights
Jim Grisim	Finance Officer	White Bear Lake
Jim Lindner	Commissioner	Gem Lake
Chris Mann	Commissioner	North Oaks
Marty Asleson	Commissioner	Lino Lakes

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FINANCIAL SECTION

VADNAIS LAKE AREA WATER
MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vadnais Lake Area Water Management Organization
Vadnais Heights, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Vadnais Lake Area Water Management Organization (the Organization), Vadnais Heights, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the Organization's 2013 financial statements and, in our report dated March 18, 2014 we express unmodified opinions on the respective fund financial statements. 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 Organization'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 Organization'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 major fund of the Organization 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.

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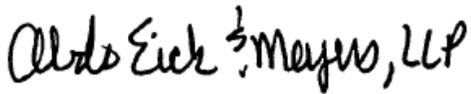
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 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 the City's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has 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 it.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
February 13, 2015

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Management's Discussion and Analysis

As management of the Vadnais Lake Area Water Management Organization, (the Organization), Vadnais Heights, Minnesota, we offer readers of the Organization's financial statements this narrative overview and analysis of the financial activities of the Organization for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Financial Highlights

- The assets of the Organization exceeded its liabilities at the close of the most recent fiscal year by \$612,236 (*net position*). Of this amount, \$496,866 (*unrestricted net position*) may be used to meet the Organization's ongoing obligations.
- The Organization's total net position decreased by \$27,162. The decrease is due to the decrease in operating grants and contributions.
- As of the  of the current fiscal year, the Organization's governmental fund reported combined ending fund balances of \$520,068,  decrease of \$6,539 in comparison with the prior year. This decrease in fund balance is due the Organization incurring more wage expense from pay raises implemented during 2014.
- The ending General fund balance was \$520,068. Of this balance, \$175,000 is committed purposes disclosed in the financial statements.
- The Organization's unrestricted cash and temporary investments decreased to \$531,202 from \$588,720 during 2014.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Organization's basic financial statements. The Organization's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another.

Figure 1
Required Components of the
Organization's Annual Financial Report

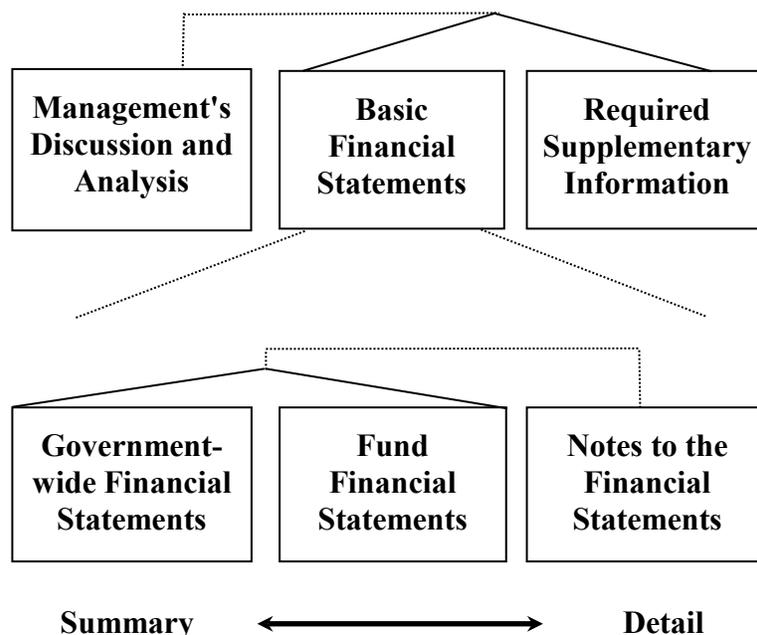


Figure 2 summarizes the major features of the Organization’s financial statements, including the portion of the Organization government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major features of the Government-wide and Fund Financial Statements

	Fund Financial Statements	
	Government-wide Statements	Governmental Funds
Scope	Entire Organization	The activities of the Organization
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Organization’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Organization’s assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The *statement of activities* presents information showing how the Organization’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., grants and earned but unused vacation and sick leave).

The governmental activities of the Organization include general and administrative, programs, and projects.

The government-wide financial statements start on page 22 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Organization, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Organization currently only uses governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government’s near-term financing decisions. Both the governmental fund balance sheets and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Organization adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 31 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Organization, assets exceeded liabilities by \$612,236 at the close of the most recent fiscal year.

The largest portions of the Organization’s net position are unrestricted and available to meet the ongoing needs of the Organization. The Organization has a total of 19 percent classified as investment in capital assets (e.g., land, buildings, machinery and equipment). The Organization uses these capital assets to provide services to its member cities; consequently, these assets are not available for future spending.

Vadnais Lake Area Water Management Organization’s Summary of Net Position

	December 31,		Increase (Decrease)
	2014	2013	
Assets			
Current	\$ 1,068,193	\$ 1,094,496	\$ (26,303)
Capital, net of accumulated depreciation	115,370	126,740	(11,370)
Total assets	<u>1,183,563</u>	<u>1,221,236</u>	<u>(37,673)</u>
Liabilities			
Current	537,353	559,674	(22,321)
Noncurrent	33,974	22,164	11,810
Total liabilities	<u>571,327</u>	<u>581,838</u>	<u>(10,511)</u>
Net position			
Net investment in capital assets	115,370	126,740	(11,370)
Unrestricted	496,866	512,658	(15,792)
Total net position	<u>\$ 612,236</u>	<u>\$ 639,398</u>	<u>\$ (27,162)</u>

At the end of the current fiscal year, the Organization is able to report positive balances in both categories of net position.

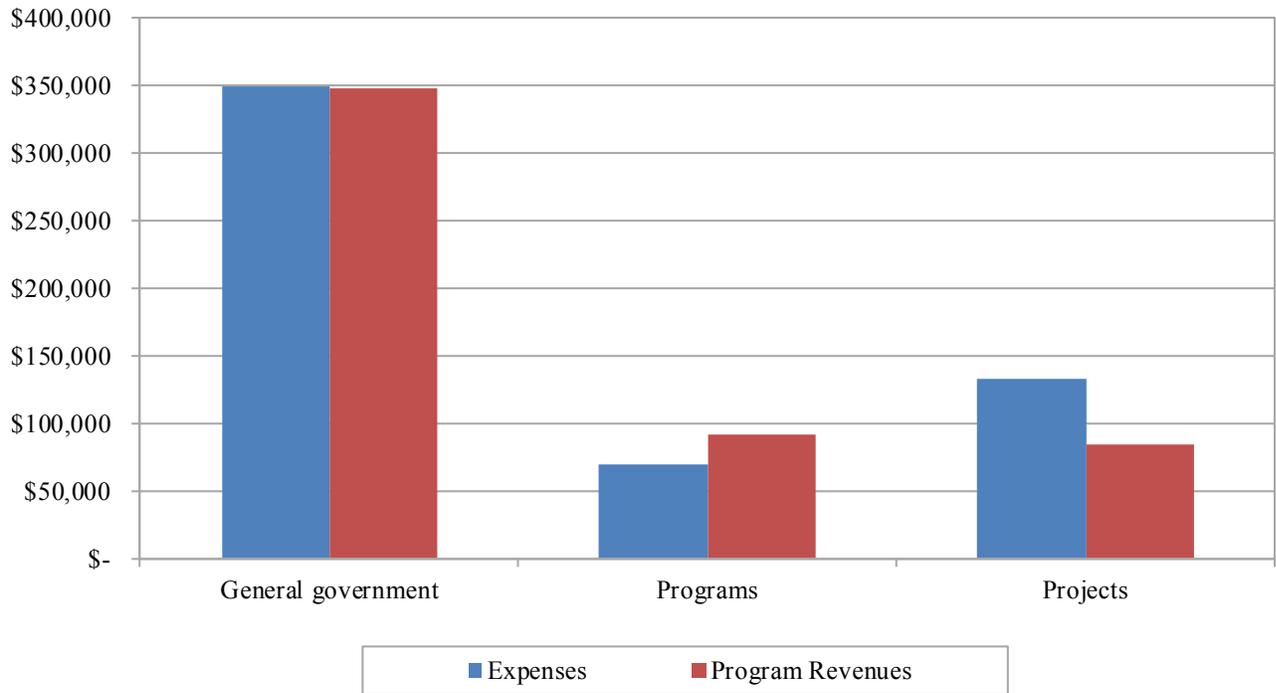
Vadnais Lake Area Water Management Organization's Changes in Net Position

	December 31,		Increase (Decrease)
	2014	2013	
Revenues			
Program			
Charges for services	\$ 458,301	\$ 436,119	\$ 22,182
Operating grants and contributions	65,064	142,089	(77,025)
General			
Unrestricted investment earnings	218	99	119
Miscellaneous	-	60	(60)
	523,583	578,367	(54,784)
Total revenues			
Expenses			
General and administrative	349,036	314,485	34,551
Programs	69,368	55,598	13,770
Projects	132,341	177,404	(45,063)
	550,745	547,487	3,258
Total expenses			
Change in net position	(27,162)	30,880	(58,042)
Net position, January 1	639,398	608,518	30,880
Net position, December 31	\$ 612,236	\$ 639,398	\$ (27,162)

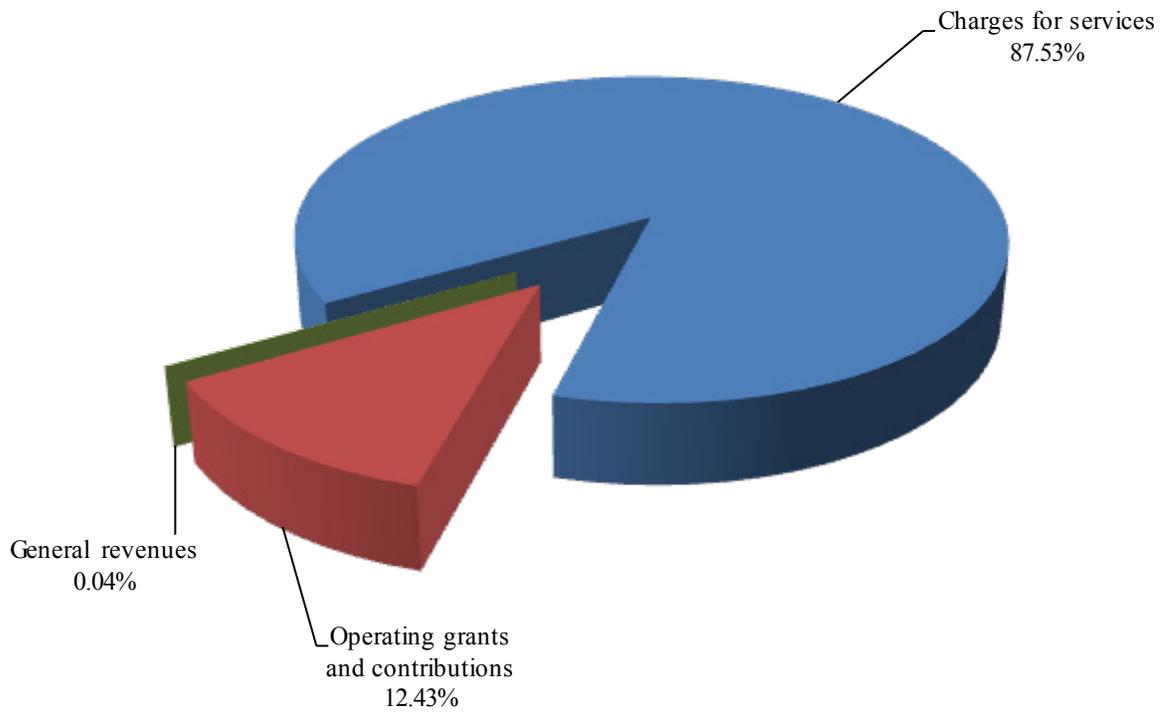
The decrease in operating grants and contributions are directly related the dollar amount grant monies the Organization receives during the year.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the Organization uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Organization's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Organization's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Organization's governmental fund reported an ending fund balance of \$520,068 a decrease of \$6,539 in comparison with the prior year. Approximately 66 percent of the total amount, \$345,068, constitutes unassigned fund balance, which is available for spending at the Organization's discretion. The remainder fund balance of \$175,000 is committed for purposes described in the notes to the financial statements.

The General fund is the chief operating fund of the Organization. At the end of the current year, the fund balance of the General fund was \$520,068. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 99 percent of 2014 fund expenditures and 66 percent of 2015 budgeted fund expenditures.

The fund balance of the Organization's General fund decreased \$6,539 during the current fiscal year. The Organization approved significant wage increases during the year due to a compensation study. Total wage expenditures increased roughly \$33,000 from 2013. This increase was offset by program and project related expenditures decreasing roughly \$42,000.

General Fund Budgetary Highlights

The Organization's General fund budget was amended during the year. The amended budget called for expenditures exceeding budget by \$291,000. Actual revenues were over budget by \$64,875, mainly due to grant revenues exceeding budget by \$59,154. Expenditures had a positive budget variance of \$219,586, mostly due to program and project costs being less than anticipated.

Capital Asset and Debt Administration

Capital assets. The Organization's investment in capital assets for its governmental activities as of December 31, 2014, amounts to \$115,370 (net of accumulated depreciation). This investment in capital assets includes infrastructure related to the Lambert Creek Restoration project and monitoring equipment at Whitaker Pond.

Additional information on the Organization's capital assets can be found in Note 3C on page 38 of this report.

Economic Factors and Next Year's Budgets

The Organization considered and prepared the 2015 budget based on the following factors:

- Revenue is primarily from the storm sewer utility assessment, with minor income from grants, service fees and interest.
- Expenditures fall into three main categories: Programs, projects, and general and administration.
- Programs include: monitoring and data analysis, sustainable lake plans, cost-share, education and outreach, maintenance and 40 percent of payroll for 4.0 employees.
- Projects include capital projects, four Community Blue Partnership project installations, initiation of the new bacteria source monitoring on Lambert Creek, Gem Lake, Black Lake, Goose Lake, TMDL implementation and 3-year strategic planning occupied 30 percent of payroll for 4.0 employees.
- Operations and administration include office rent and supplies, bookkeeping and general and program audit, information systems, insurance, 30 percent payroll for 4.0 employees and legal expenses.

All of these factors were considered in preparing the Organization's budget for the 2015 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Organization's finances for all those with an interest in the Organization's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Stephanie McNamara, Administrator, Vadnais Lake Area Water Management Organization, 800 County Road E East, Vadnais Heights, MN 55127.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

VADNAIS LAKE AREA WATER
MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and temporary investments	\$ 531,202
Restricted cash	16,894
Receivables	
Accounts	121
Special assessments	507,432
Due from other governments	12,544
Capital assets	
Depreciable assets, net of accumulated depreciation	<u>115,370</u>
TOTAL ASSETS	<u><u>1,183,563</u></u>
LIABILITIES	
Accounts payable	8,476
Escrow deposits payable	16,894
Due to other governments	23,369
Unearned revenue	488,614
Noncurrent liabilities	
Compensated absences payable - due within one year	25,481
Compensated absences payable - due in more than one year	<u>8,493</u>
TOTAL LIABILITIES	<u><u>571,327</u></u>
NET POSITION	
Net investment in capital assets	115,370
Unrestricted	<u>496,866</u>
TOTAL NET POSITION	<u><u>\$ 612,236</u></u>

The notes to the financial statements are an integral part of this statement.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General and administrative	\$ 349,036	\$ 343,726	\$ 4,037	\$ -	\$ (1,273)
Programs	69,368	91,660	-	-	22,292
Projects	<u>132,341</u>	<u>22,915</u>	<u>61,027</u>	-	<u>(48,399)</u>
 Total	 <u>\$ 550,745</u>	 <u>\$ 458,301</u>	 <u>\$ 65,064</u>	 <u>\$ -</u>	 <u>(27,380)</u>
General revenues					
Unrestricted investment earnings					<u>218</u>
Change in net position					(27,162)
Net position, January 1					<u>639,398</u>
Net position, December 31					<u>\$ 612,236</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

VADNAIS LAKE AREA WATER
MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and temporary investments	\$ 531,202	\$ 588,720
Restricted cash	16,894	16,893
Receivables		
Accounts	121	5,100
Special assessments	507,432	477,365
Due from other governments	12,544	6,418
TOTAL ASSETS	\$ 1,068,193	\$ 1,094,496
LIABILITIES		
Accounts payable	\$ 8,476	\$ 34,328
Escrow deposits payable	16,894	16,893
Due to other governments	23,369	18,541
Unearned revenue	488,614	489,912
TOTAL LIABILITIES	537,353	559,674
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - special assessments	10,772	8,215
FUND BALANCES		
Committed	175,000	186,000
Unassigned	345,068	340,607
TOTAL FUND BALANCES	520,068	526,607
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,068,193	\$ 1,094,496

The notes to the financial statements are an integral part of this statement.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

Total fund balances - governmental	\$ 520,068
Amounts reported for the governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	190,380
Less: accumulated depreciation	(75,010)
Noncurrent liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Compensated absences payable	(33,974)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Special assessments	<u>10,772</u>
Total net position - governmental activities	<u><u>\$ 612,236</u></u>

The notes to the financial statements are an integral part of this statement.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
REVENUES		
Charges for services	\$ 455,445	\$ 443,422
Intergovernmental		
Grants	64,154	140,154
Interest on investments	218	99
Miscellaneous	1,209	1,995
TOTAL REVENUES	521,026	585,670
EXPENDITURES		
Current		
General and administrative	337,226	300,594
Programs	69,368	55,598
Projects	120,971	177,404
TOTAL EXPENDITURES	527,565	533,596
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,539)	52,074
FUND BALANCES, JANUARY 1	526,607	474,533
FUND BALANCES, DECEMBER 31	\$ 520,068	\$ 526,607

The notes to the financial statements are an integral part of this statement.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Total net change in fund balances - governmental funds	\$ (6,539)
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Depreciation expense	(11,370)
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Special assessments	2,557
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	<u>(11,810)</u>
Change in net position - governmental activities	<u><u>\$ (27,162)</u></u>

The notes to the financial statements are an integral part of this statement.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Charges for services	\$ 450,501	\$ 450,501	\$ 455,445	\$ 4,944	\$ 443,422
Intergovernmental					
Grants	5,000	5,000	64,154	59,154	140,154
Interest on investments	150	150	218	68	99
Miscellaneous	500	500	1,209	709	1,995
	<u>456,151</u>	<u>456,151</u>	<u>521,026</u>	<u>64,875</u>	<u>585,670</u>
EXPENDITURES					
General and administrative					
Wages	209,070	209,070	223,813	(14,743)	199,014
Payroll taxes and employee benefits	53,000	53,000	54,586	(1,586)	46,739
Legal	3,000	5,000	1,095	3,905	707
Professional services	25,500	41,300	16,777	24,523	14,261
Information systems	10,000	15,000	8,043	6,957	9,304
Insurance	4,200	4,200	4,357	(157)	4,517
Office	19,700	19,700	17,927	1,773	16,489
Staff training	3,000	3,000	2,858	142	2,871
Telephone	-	-	2,235	(2,235)	1,980
Miscellaneous	7,500	10,300	5,535	4,765	4,712
Programs					
Monitoring	38,000	53,300	42,126	11,174	34,080
Maintenance	41,681	58,481	27,242	31,239	21,518
Projects	146,500	274,800	120,971	153,829	177,404
	<u>561,151</u>	<u>747,151</u>	<u>527,565</u>	<u>219,586</u>	<u>533,596</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(105,000)	(291,000)	(6,539)	284,461	52,074
FUND BALANCES, JANUARY 1	<u>526,607</u>	<u>526,607</u>	<u>526,607</u>	<u>-</u>	<u>474,533</u>
FUND BALANCES, DECEMBER 31	<u>\$ 421,607</u>	<u>\$ 235,607</u>	<u>\$ 520,068</u>	<u>\$ 284,461</u>	<u>\$ 526,607</u>

The notes to the financial statements are an integral part of this statement.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Vadnais Lake Area Water Management Organization (the Organization), Vadnais Heights, Minnesota, was established to meet the requirements of the Metropolitan Surface Water Management Act, re-codified as Minnesota statutes, chapters 103-b and 103-d.

The general purpose of the Organization is to establish a jointly and cooperatively developed water management plan and program to (1) protect, preserve, and use natural surface and groundwater storage and retention systems; (2) minimize capital expenditures necessary to correct flooding and water quality problems; (3) identify and plan for means to effectively protect and improve surface and groundwater quality; (4) establish more uniform local policies and official controls for surface water, wetland and groundwater management; (5) prevent erosion of soil into surface water systems; (6) promote groundwater recharge; (7) protect and enhance fish and wildlife habitat and water recreational facilities, and secure other benefits associated with the proper management of surface ground water, and be in accordance with the Act.

The Organization is governed by a Board of Directors which consists of six members, one from each of the following governmental units: City of North Oaks, City of White Bear Lake, City of Lino Lakes, White Bear Township, City of Vadnais Heights and the City of Gem Lake. The Board of Directors exercises legislative authority and determines all matters of policy. The Board of Directors appoints personnel responsible for the proper administration of all affairs relating to the Organization's activities.

The Organization has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Organization has no component units that meet the GASB criteria.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statements of net position and the statements of activities) report information on all of the non-fiduciary activities of the Organization.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly 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.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement focus, basis of accounting and basis of 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization 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. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charges for service, assessments to members, grants and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Organization.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Organization receives value without directly giving equal value in return, include grants, entitlement and donations. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Organization must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Organization on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The Organization reports the following major governmental fund:

The *General fund* is the Organization's primary operating fund. It accounts for all financial resources of the Organization.

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

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, liabilities, deferred inflows of resources, and net position/fund balance

Deposits and investments

The Organization's cash and temporary investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

The Organization may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Minnesota Municipal Money Market (4M) fund operates in accordance with appropriate state laws and regulations. The 4M fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool shares. Financial statements of the 4M fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Restricted assets

Certain assets of the Organization are set aside for repayment of individual property owners once they meet specific criteria.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Special assessments

Special assessments represent storm sewer utility charges. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue in the year they are collected or received in cash or within 60 days after year end. Governmental fund special assessments receivables are offset by deferred inflows of resources or unearned revenue in the fund financial statements.

Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Organization 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

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

Assets	Useful Lives in Years
Infrastructure	20 - 30
Equipment	5 - 7

Deferred inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: special assessments. The unavailable amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated absences

It is the Organization’s policy to permit employees to accumulate earned but unused vacation and sick benefits, which will be paid to the employee upon separation without the considerations of number of years of service. 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. The General fund is used to pay employee benefits upon termination for governmental and proprietary funds.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Organization is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Directors, which is the Organization's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Directors modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board of Directors itself or by an official to which the governing body delegates the authority. The Board of Directors has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Administrator.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The Organizations considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Organization would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Organization has formally adopted a fund balance policy for the General fund. The Organization's policy is to maintain a minimum unassigned fund balance of 35 - 50 percent of budgeted operating expenditures for cash-flow timing needs.

Net position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

Comparative data/reclassifications

Comparative total data for the prior year has been presented for the fund financial statements in order to provide an understanding of the change in financial position. Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at year end. The Organization does not use encumbrance accounting.

During the budget year, supplemental appropriations and deletions are or may be authorized by the Board of Directors. The budget was amended by the Board of Directors in 2014. The amended budget called for expenditures exceeding revenues by \$291,000.

Note 3: DETAILED NOTES ON ACCOUNTS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Organization's deposits may not be returned or the Organization will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Directors, the Organization maintains deposits at those depository banks which are members of the Federal Reserve System.

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- 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;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- 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
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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 selection should be approved by the Organization.

At year end, the Organization's carrying amount of deposits was \$124,430 and the bank balance was \$125,431. The entire bank balance was covered by federal depository insurance.

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ACCOUNTS - CONTINUED

Investments

At year end, the Organization had the following investments that are insured or registered, or securities held by the Organization's agent in the Organization's name:

<u>Types of Investments</u>	<u>Credit Quality/ Ratings (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Fair Value and Carrying Amount</u>
Pooled investments			
Minnesota Trust Term Series	N/A	less than 6 months	\$ 150,000
Minnesota Municipal Money Market fund	N/A	less than 6 months	<u>273,642</u>
 Total investments			 <u><u>\$ 423,642</u></u>

(1) Ratings are provided by Moody's where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

The investments of the Organization are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the Organization's investments to the list on page 33 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Organization does not have an investment policy that addresses the risks described above.

A reconciliation of cash and temporary investments as shown in the financial statements of the Organization follows:

Carrying amount of deposits	\$ 124,430
Investments	423,642
Cash on hand	<u>24</u>
 Total	 <u><u>\$ 548,096</u></u>
 Cash and investments	
Unrestricted	\$ 531,202
Restricted	<u>16,894</u>
 Total	 <u><u>\$ 548,096</u></u>

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ACCOUNTS - CONTINUED

B. Restricted assets

The Organization set aside the following cash balances for repayment of individual property owners:

Mitigation Restricted Cash	\$ 16,894
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C. Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, being depreciated				
Infrastructure	\$ 181,219	\$ -	\$ -	\$ 181,219
Equipment	9,161	-	-	9,161
Total capital assets being depreciated	190,380	-	-	190,380
Less accumulated depreciation for				
Infrastructure	(57,228)	(9,537)	-	(66,765)
Equipment	(6,412)	(1,833)	-	(8,245)
Total accumulated depreciation	(63,640)	(11,370)	-	(75,010)
Total governmental activities	\$ 126,740	\$ (11,370)	\$ -	\$ 115,370

The full depreciation expense amount was charged to projects.

D. Operating lease

The Organization entered into a lease agreement with the City of Vadnais Heights for office space. The lease agreement has an effective period of January 1, 2012 and will terminate on December 31, 2014. During 2014, the Organization entered into a new lease agreement with the City of Vadnais Heights for office space. The lease agreement has an effective period of January 1, 2015 and will terminate on December 31, 2017.

Both lease agreement calls for monthly payments for office space, as well as amounts for the Organizations portion of normal operating expenses, such as: janitorial, secretarial, office supplies, postage, utilities, IT support and any other costs that arise.

The Organization paid \$15,300 and \$13,800 for rent in 2014 and 2013, respectively. The Organization's rent for fiscal years 2015, 2016, and 2017 is expected be \$15,200, \$15,560, and \$15,920, respectively as outlined in the lease agreement.

E. Unearned revenue

Governmental funds report unearned revenue in connection with receivables for revenues that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported were as follows:

	Unearned
Special assessments receivable	\$ 488,614

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ACCOUNTS - CONTINUED

F. Changes in long-term liabilities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental activities					
Compensated absences payable	\$ 22,164	\$ 26,580	\$ (14,770)	\$ 33,974	\$ 25,481

G. Fund balance classifications

At December 31, 2014, portions of the Organization's fund balance are not available for appropriation due to Board of Directors action (committed). The following is a summary of the commitments:

Commitments	
Information systems	\$ 2,500
Legal assistance	3,500
Engineering	3,000
Technical assistance	5,000
Payroll	10,500
Miscellaneous	3,000
Water planning	5,000
Financial incentives	11,000
Education and marketing	6,700
Maintenance	10,000
Equipment	4,500
Lab analysis	7,000
Lambert creek restoration	18,000
Water quality projects	24,800
Project research	1,500
Implementation on impaired waters	35,000
Plan directed projects	<u>24,000</u>
Total committed	<u>\$ 175,000</u>

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the Vadnais Heights Area Water Management Organization are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota statutes, chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the Internet at mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The Organization makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2014. In 2014, the Vadnais Heights Lake Area Water Management Organization was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members. The Organization's contributions to the General Employees Retirement Fund for the years ended December 31, 2014, 2013 and 2012 were \$15,788, \$13,544, and \$13,178, respectively. The Organization's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers).

VADNAIS LAKE AREA WATER MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 5: OTHER INFORMATION

Risk management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Organization carries insurance. The Organization pays annual premiums for its workers compensation and property and casualty insurance. Settled claims have not exceeded the Organization's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The Organization's management is not aware of any incurred but not reported claims.

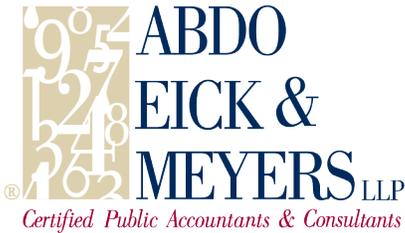
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OTHER REPORT

VADNAIS LAKE AREA WATER
MANAGEMENT ORGANIZATION
VADNAIS HEIGHTS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Vadnais Lake Area Water Management Organization
Vadnais Heights, 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 the major fund of the Vadnais Lake Area Water Management Organization (the Organization), Vadnais Heights, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements as and have issued our report thereon dated February 13, 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, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories.

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

This report is intended solely for the information and use those charged with governance and management of the Organization and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
February 13, 2015