

STATE OF MINNESOTA

Office of the State Auditor



**Rebecca Otto
State Auditor**

MANAGEMENT AND COMPLIANCE REPORT

**BOARD OF WATER COMMISSIONERS
OF THE SAINT PAUL REGIONAL WATER SERVICES
(A COMPONENT UNIT OF THE CITY OF SAINT PAUL)**

YEAR ENDED DECEMBER 31, 2014

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 700 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

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**BOARD OF WATER COMMISSIONERS
OF THE SAINT PAUL REGIONAL WATER SERVICES
(A COMPONENT UNIT OF THE CITY OF SAINT PAUL)**

Year Ended December 31, 2014



Management and Compliance Report

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**BOARD OF WATER COMMISSIONERS
OF THE SAINT PAUL REGIONAL WATER SERVICES
SAINT PAUL, MINNESOTA**

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**BOARD OF WATER COMMISSIONERS
OF THE SAINT PAUL REGIONAL WATER SERVICES
SAINT PAUL, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major program is:

Capitalization Grants for Drinking Water State
Revolving Funds

CFDA #66.468

The threshold for distinguishing between Types A and B programs was \$300,000.

Saint Paul Regional Water Services qualified as a low-risk auditee? **Yes**

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INTERNAL CONTROL

ITEM ARISING THIS YEAR

Finding 2014-001

Financial Statements Preparation

Criteria: Management is responsible for preparing the Saint Paul Regional Water Services' annual financial report in accordance with generally accepted accounting principles (GAAP). Preparation of the annual financial report in accordance with GAAP requires internal control over both: (1) recording, processing, and summarizing accounting data (that is, maintaining internal books and records); and (2) preparing and reporting appropriate financial statements, including the related notes to the financial statements.

Condition: Financial information necessary for the preparation of the annual financial report was unable to be gathered, processed, and summarized in the time, form, and manner that would allow the Saint Paul Regional Water Services' annual financial report to be prepared and submitted to oversight agencies and the City of Saint Paul by various required reporting deadlines.

Context: The Saint Paul Regional Water Services is a discretely presented component unit of the City of Saint Paul. Portions of the information included in the Saint Paul Regional Water Services' annual financial report are processed and prepared by the City of Saint Paul's Office of Financial Services. The Office of Financial Services also processes and prepares additional information included in the City of Saint Paul's Comprehensive Annual Financial Report (CAFR). Financial information is to be provided to the Saint Paul Regional Water Services' Financial Services Manager in the time, form, and manner to allow staff to adequately review it, submit the information for audit, and to finalize the annual financial report in order for various reporting deadlines to be met.

Effect: Delays in processing and preparing the information needed for the Saint Paul Regional Water Services' annual financial report and for the City of Saint Paul's CAFR resulted in missing the GFOA's June 30 deadline for the City of Saint Paul, the Single Audit September 30 deadline, and the reporting to the Office of the State Auditor - Government Information Division required for the City to receive local government aid.

Significant reporting delays could be reason for the GFOA to deny awarding the City of Saint Paul a Certificate of Achievement for Excellence in Financial Reporting, increase the risk that the Saint Paul Regional Water Services and City lose federal funding, and increase the risk that the City of Saint Paul loses local government aid crucial to operations.

Cause: The City of Saint Paul and the Saint Paul Regional Water Services implemented the INFOR financial management system during 2014. Implementation of the INFOR system caused significant delays and difficulties for both the City of Saint Paul and the Saint Paul Regional Water Services to record and process accounting data in an efficient and timely manner. The City of Saint Paul's Office of Financial Services also experienced turnover in personnel key to the financial closing and reporting process, limiting its ability to gather, process, and summarize information needed for its own CAFR and to provide the Saint Paul Regional Water Services information required to prepare its annual financial report.

Recommendation: We recommend recording, processing, and summarizing of accounting data related to the new financial management system be timely to ensure that both the Saint Paul Regional Water Services and the City of Saint Paul will be able to issue future reports by required reporting deadlines.

Client's Response:

The City of Saint Paul (City), the Housing and Redevelopment Authority of the City of Saint Paul (HRA), and Saint Paul Regional Water Services (Regional Water) implemented the INFOR financial management system during 2014. Implementation caused significant delays in Regional Water's ability to record and process accounting data in an efficient and timely manner. The City also experienced turnover in personnel key to the financial closing and reporting process, further limiting its ability to gather, process, and summarize information needed for Regional Water to prepare its financial report. Financial information was not provided to Regional Water in the time, form, and manner to allow staff to adequately review and account for the information in Regional Water's financial records.

The Office of Financial Services (OFS) has hired experienced financial professionals and they are becoming proficient with the INFOR financial management system. Significant progress has been made in 2015 with posting transactions, balancing accounts, reconciling cash, and reporting accounts payable and accounts receivable by department and fund. Additional reporting has been created that will allow the City and Regional Water to report the results of operations by company, department, and fund. Regional Water will continue to work closely with OFS to improve the financial reporting in the INFOR system.

Regional Water will be meeting with OFS and the HRA on December 3, 2015 to review the successes and obstacles encountered with the preparation of the 2014 financial statements and to plan and identify additional resources required to complete the 2015

financial statements and to meet the June 30 deadline for submission to the Government Finance Officers Association of the United States and Canada (GFOA), the Single Audit September 30 deadline, and for reporting to the Office of the State Auditor.

PREVIOUSLY REPORTED ITEMS RESOLVED

Monitoring Internal Controls (2012-001)

Management had not yet finalized its assessment of risks in its review of internal controls, nor had it completed documenting the significant internal controls, performed monitoring of those controls on a regular basis, or documented the monitoring activity.

Resolution

During the audit, various policies and documentation were provided to demonstrate internal controls are being evaluated and monitored. Flowcharts have been created to document how information flows through the various INFOR modules.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding 2014-002

Completion and Retainage of Statements of Economic Interest

Criteria: Minnesota Statute § 10A.09, subd. 1, provides requirements for individuals to file a statement of economic interest with the state Campaign Finance and Public Disclosure Board within 60 days of accepting employment as a public official or a local official in a metropolitan governmental unit or within 14 days after filing an affidavit of candidacy or petition to appear on the ballot for an elective local office in a metropolitan governmental unit other than county commissioner.

Condition: During our testing, we found two members of the Board of Water Commissioners of the Saint Paul Regional Water Services filed late.

Context: Public members of the Board of Water Commissioners are appointed by the Mayor of Saint Paul. Suburban members are appointed by the suburban City Councils. The Mayor of Saint Paul also appoints three members of the Saint Paul City Council to the Board of Water Commissioners. Individuals required to file a Statement of Economic Interest must do so, annually, by April of each year.

Effect: The Saint Paul Regional Water Services was not in compliance with Minn. Stat. § 10A.09, subd. 1.

Cause: There is not a formal understanding as to whether the Saint Paul Regional Water Services or the City of Saint Paul City Clerk's Office is responsible for obtaining Economic Interest Forms for members of the Board of Water Commissioners. At a minimum, the City Clerk's Office retains Economic Interest Forms for members of the Saint Paul City Council.

Recommendation: We recommend the Saint Paul Regional Water Services and the City of Saint Paul City Clerk's Office coordinate which party will monitor the timely filing of the Statements of Economic Interest Forms for members of the Board of Water Commissioners.

Client's Response:

Regional Water's Board Secretary will be responsible for obtaining Statements of Economic Interest Forms for Public Members and for Suburban Members of the Board of Water Commissioners and will submit the forms to the City Clerk's Office for filing. The City Clerk's Office will continue to obtain and retain Statements of Economic Interest Forms for Saint Paul City Council Members. Regional Water's Financial Services Section will be verifying that this has been completed and has added this to their annual check list.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded

liability, called the “net pension liability” on the face of the Saint Paul Regional Water Services’ statement of net position. The Saint Paul Regional Water Services’ financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in the Saint Paul Regional Water Services’ financial statements is an accounting estimate of the proportionate share of PERA’s unfunded liability at a specific point in time. That number will change from year to year, and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

Independent Auditor's Report

Members of the Board of Water Commissioners
of the Saint Paul Regional Water Services
Saint Paul, 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 the Saint Paul Regional Water Services, a component unit of the City of Saint Paul, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Saint Paul Regional Water Services' basic financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Saint Paul Regional Water Services' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Saint Paul Regional Water Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Saint Paul Regional Water Services' internal control over financial reporting.

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 combination of deficiencies, in internal control over financial

reporting such that there is a reasonable possibility that a material misstatement of the Saint Paul Regional Water Services' financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001, that we consider a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Saint Paul Regional Water Services' 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*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the Saint Paul Regional Water Services' financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for contracting and bidding, deposits and investments, and public indebtedness because they are tested in conjunction with the audit of the financial statements of the City of Saint Paul.

In connection with our audit, nothing came to our attention that caused us to believe that the Saint Paul Regional Water Services failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 2014-002. 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 Saint Paul Regional Water Services' noncompliance with the above referenced provisions.

Other Matters

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the Saint Paul Regional Water Services, and it is reported for that purpose.

Saint Paul Regional Water Services' Response to Findings

The Saint Paul Regional Water Services' responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The Saint Paul Regional Water Services' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Saint Paul Regional Water Services' internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Saint Paul Regional Water Services' internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/*Rebecca Otto*

REBECCA OTTO
STATE AUDITOR

/s/*Greg Hierlinger*

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 24, 2015

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Members of the Board of Water Commissioners
of the Saint Paul Regional Water Services
Saint Paul, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Saint Paul Regional Water Services' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the Saint Paul Regional Water Services' major federal program for the year ended December 31, 2014. The Saint Paul Regional Water Services is a component unit of the City of Saint Paul, Minnesota. The Saint Paul Regional Water Services' major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Saint Paul Regional Water Services' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the

audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Saint Paul Regional Water Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Saint Paul Regional Water Services' compliance with those requirements.

Opinion on the Major Federal Program

In our opinion, the Saint Paul Regional Water Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Saint Paul Regional Water Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Saint Paul Regional Water Services' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Saint Paul Regional Water Services' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Saint Paul Regional Water Services as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Saint Paul Regional Water Services' basic financial statements. We have issued our report thereon dated November 24, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

November 24, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**BOARD OF WATER COMMISSIONERS
OF THE SAINT PAUL REGIONAL WATER SERVICES
SAINT PAUL, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Transportation Passed Through the Metropolitan Council Federal Transit Capital Investment Grants	20.500	\$ 981
U.S. Environmental Protection Agency Passed Through Minnesota Public Facilities Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>1,853,324</u>
Total Federal Awards		<u>\$ 1,854,305</u>

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**BOARD OF WATER COMMISSIONERS
OF THE SAINT PAUL REGIONAL WATER SERVICES
SAINT PAUL, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Saint Paul Regional Water Services, a discretely presented component unit of the City of Saint Paul. The Regional Water Services' reporting entity is defined in Note 2.A. to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Saint Paul Regional Water Services under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Regional Water Services, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Regional Water Services.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Subrecipients

The Saint Paul Regional Water Services did not pass any federal awards through to subrecipients during the year ended December 31, 2014.

**BOARD OF WATER COMMISSIONERS
OF THE SAINT PAUL REGIONAL WATER SERVICES
SAINT PAUL, MINNESOTA**

5. Reconciliation of the Schedule of Expenditures of Federal Awards to Actual Reimbursements

The Saint Paul Regional Water Services had expenditures under two federal awards in 2014. The first is the Federal Transit Capital Investment Grants, which is passed through the Metropolitan Council; it is a reimbursement award. The second is the Capitalization Grant for Drinking Water State Revolving Funds, which is passed through the Minnesota Public Facilities Authority (MNPFA), a component unit of the State of Minnesota. This award is in the form of a Drinking Water Note Payable secured by general obligation bonds. It will be repaid over a 20-year period.

Expenditures for the Federal Transit Capital Investment Grants during the year ended December 31, 2014, totaled \$981. Amounts received during the fiscal year 2014 totaled \$25,478; of this amount, \$981 was for 2014 expenditures. The remaining \$24,497 received in 2014 is related to prior years' expenditures.

Expenditures for the Capitalization Grant for Drinking Water State Revolving Funds during the year ended December 31, 2014, totaled \$1,853,324. Reimbursements during fiscal year 2014 totaled \$1,614,221; \$118,960 was for 2013 expenditures, the remaining \$1,495,262 is related to 2014 expenditures.