

Elm Creek Watershed Management Commission 2017-2018 Budgets

			2017 Budget	2018 Budget
GENERAL OPERATING BUDGET				
Operating Expenses				
Administrative			90,000	90,000
	Watershed-wide TMDL Admin			2,500
Grant Writing			5,000	4,000
Website			6,000	6,000
Legal Services			2,000	2,000
Audit			5,000	5,000
Insurance			3,800	3,900
Contingency			2,000	1,000
		Subtotal	113,800	114,400
Project Reviews				
	Technical - HCEE		98,000	95,000
	Technical Support - Consultant		15,000	12,000
	Admin Support		11,000	14,000
		Subtotal	124,000	121,000
Wetland Conservation Act				
	WCA Expense - HCEE		12,000	17,750
	WCA Expense - Legal		500	500
	WCA Expense - Admin		2,000	1,500
		Subtotal	14,500	19,750
Water Monitoring				
	Stream Monitoring			
	Stream Monitoring - USGS		24,177	24,900
	Stream Monitoring - TRPD			
	Extensive Stream Monitoring		7,000	7,600
	DO Longitudinal Survey		500	1,000
	Gauging Station - Elec Bill		220	250
	Rain Gauge Network		100	100
	Lake Monitoring			
	Lake Monitoring - CAMP		1,200	720
	Lake Monitoring - TRPD			
	Sentinel Lakes		2,470	3,300
	Additional lake		618	825
	Aquatic Vegetation Surveys		1,029	1,100

Elm Creek Watershed Management Commission 2017-2018 Budgets

			2017 Budget	2018 Budget
		Source Assessment	2,000	0
		Watershed-wide TMDL - Followup - TRPD	10,000	5,000
		Wetland Monitoring - WHEP	4,000	4,000
		Stream Health - SHEP	0	
		Subtotal	53,314	48,795
	Education			
		Education - City/Citizen Programs	4,000	4,000
		2011 Workshop Series		
		WMWA General Admin	4,000	4,000
		WMWA Implementa Activities incl Watershed PREP	6,000	6,500
		Survey		
		R Garden Workshop/Intensive BMPs	2,000	2,000
		Education Grants	2,000	2,000
		Macroinvertebrate Monitoring-River Watch	6,000	3,000
		Ag Specialist		
		Subtotal	24,000	21,500
	Stormwater Studies - Channel Study			
		Channel Study - Admin		
		Channel Study Review		
		Channel Study Amendments		
	Management Plan			
		Plan Amendments	5,000	2,000
		Local Plan Review	2,000	8,000
		Contribution to 4th Generation Plan		
		Subtotal	7,000	10,000
	CIPs, Special Projects, Studies			
		Capital Outlay - CIPs - Ad Valorem	249,000	490,000
		Projects ineligible for ad valorem	50,000	50,000
		Studies, Subwatershed Assessments	35,000	35,000
		Subtotal	334,000	575,000
	Contingency		0	0
	Total Operating Expense		670,614	910,445

Elm Creek Watershed Management Commission 2017-2018 Budgets

			2017 Budget	2018 Budget
Revenue				
	CIPs - Ad Valorem		249,000	490,000
	Project Review Fees		100,000	80,000
	Water Monitoring - TRPD Co-op Agmt		6,500	6,500
	BMP Implementation			
	WCA Fees		8,000	10,000
	Forfeited/Reimbursed Sureties, Reimbursement from LGUs		0	0
	Membership Dues		219,700	225,000
	Watershed-wide TMDL			
	Interest Income		100	250
	Dividend Income			750
	Miscellaneous Income			
		Total Operating Revenue	583,300	812,500
		To (From) Cash Reserves	87,314	97,945
ASSIGNED FUND BALANCES				
	Capital Projects			
	Revenue			
	Ad Valorem Levy Funds		492,812	490,000
	Expense			
	Commission Cost Share		492,812	490,000
	Administrative Expense		4,000	
		Total Capital Projects	125,049	125,049
	Third/Fourth Generation Management Plan			
	Member Assess - Contribution to Reserves			
	Encumbered from General Fund			
	Less Expenses			
		Total Third Gen Plan	0	0
	WCA - Beginning Accumulated		46,000	46,000
	WCA Activity - Current Year		0	0
		WCA - Year-End Accumulated	46,000	46,000
	Special Projects, Studies			
	Assigned for special-projects, studies		35,000	35,000
	Assigned for special monitoring			
	Less Expenses		41,625	30,028
		Total Projects, Studies	57,207	62,179
		Total Assigned Fund Balances	228,256	233,228
RECAP				
	TOTAL CASH ON HAND - at year-end		396,480	298,535
	Total Assigned Funds		228,256	233,228
	Total Unassigned Funds		168,224	65,307

**Elm Creek Watershed Management Commission
2017-2018 Member Assessments**

2017	2016 Taxable Market Value	2017 Budget Share		Increase over Prev Year	
		%age	Dollars	%age	Dollars
Champlin	410,505,694	3.85%	8,458.23	-3.24%	-283
Corcoran	709,731,668	6.66%	14,623.61	0.77%	112
Dayton	501,487,424	4.70%	10,332.86	3.60%	359
Maple Grove	5,651,956,239	53.01%	116,455.30	0.42%	486
Medina	891,170,325	8.36%	18,362.05	6.82%	1,172
Plymouth	905,845,273	8.50%	18,664.42	6.92%	1,208
Rogers	1,592,062,304	14.93%	32,803.53	4.08%	1,286
Totals	10,662,758,927	100.00%	219,700.00	2.02%	4,340
2018	2017 Taxable Market Value	2018 Budget Share		Increase over Prev Year	
		%age	Dollars	%age	Dollars
Champlin	435,155,559	3.82%	8,593.96	1.60%	136
Corcoran	742,511,061	6.52%	14,663.98	0.28%	40
Dayton	563,384,729	4.95%	11,126.38	7.68%	794
Maple Grove	5,908,582,953	51.86%	116,689.62	0.20%	234
Medina	950,777,365	8.35%	18,777.07	2.26%	415
Plymouth	1,108,795,705	9.73%	21,897.80	17.32%	3,233
Rogers	1,683,675,595	14.78%	33,251.20	1.36%	448
Totals	11,392,882,967	100.00%	225,000.00	2.41%	5,300

ELM CREEK WATERSHED
MANAGEMENT COMMISSION

Financial Statements and
Supplemental Information
For the Year Ended
December 31, 2017

ELM CREEK WATERSHED MANAGEMENT COMMISSION

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INDEPENDENT AUDITORS' REPORT

Commissioners
Elm Creek Watershed Management Commission
Plymouth, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Elm Creek Watershed Management Commission (the Commission), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Commission as of December 31, 2017, the respective changes in the financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



OTHER MATTERS**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Commission has not presented the MD&A that accounting principles generally accepted in the United States of America have determined necessary to supplement, although not required to be part of, the basic financial statements.

Prior Year Comparative Information

We have previously audited the Commission's financial statements for the year ended December 31, 2016 and, in our report dated April 12, 2017, we expressed an unqualified opinion on the financial statements of the governmental activities and major fund. The financial statements include prior year partial comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2016, from which such information was derived.

Other Reporting

We have also issued our report dated April 11, 2018, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

Johnson + Company, Ltd.

April 11, 2018

BASIC FINANCIAL STATEMENTS

Elm Creek Watershed Management Commission

Statement of Net Position and
Governmental Fund Balance Sheet

As of December 31, 2017

(with Partial Comparative Actual Amounts as of December 31, 2016)

	Governmental Activities	
	2017	2016
Assets		
Cash and investments	\$ 959,050	\$ 524,931
Restricted cash	150,571	46,000
Accounts receivable	10,262	1,596
Total assets	<u>\$ 1,119,883</u>	<u>\$ 572,527</u>
Liabilities and Fund Balances/Net Position		
Liabilities		
Accounts payable	\$ 54,320	\$ 42,733
Financial and administrative guarantee fee deposits	150,571	46,000
Total liabilities	<u>204,891</u>	<u>88,733</u>
Fund balances/net position		
Restricted fund balances/net position		
Restricted for capital improvement projects	621,135	129,048
Assigned fund balances/net position		
Assigned for capital projects, studies	143,832	62,832
Assigned for water monitoring program	-	1,000
Total assigned funds	<u>143,832</u>	<u>63,832</u>
Unrestricted/unassigned fund balances/net position	150,025	290,914
Total assigned or unrestricted fund balances/net position	<u>293,857</u>	<u>354,746</u>
Total fund balances/net position	<u>914,992</u>	<u>483,794</u>
Total liabilities and fund balances/net position	<u>\$ 1,119,883</u>	<u>\$ 572,527</u>

Elm Creek Watershed Management Commission

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

Year Ended December 31, 2017

(with Partial Comparative Actual Amounts for the Year Ended December 31, 2016)

	Governmental Activities			
	2017		2016	
	Original and Final Budget	(Audited)	Over (Under)	(Audited)
Revenue				
General				
Member assessments	\$ 219,700	\$ 219,700	\$ -	\$ 215,360
Property taxes (ad valorem)	-	494,330	494,330	249,866
Charges for services - project and wetland review fees	108,000	85,114	(22,886)	70,882
Reimbursements	6,500	5,036	(1,464)	5,133
Grants	-	125,140	125,140	-
Interest income	100	5,921	5,821	915
Miscellaneous	-	-	-	-
Total revenue	334,300	935,241	600,941	542,156
Expenditures				
Current				
Administration	109,000	103,637	(5,363)	102,229
Education	24,000	21,336	(2,664)	18,124
Grant programs	-	212,076	212,076	-
Insurance	3,800	2,355	(1,445)	1,442
Professional fees	7,000	4,500	(2,500)	5,541
Technical support	113,000	111,571	(1,429)	100,434
Water monitoring	53,314	40,286	(13,028)	34,785
Watershed programs	104,500	668	(103,832)	15,032
Watershed plan	7,000	1,370	(5,630)	1,698
Capital outlay				
Improvement projects	-	6,244	6,244	252,642
Total expenditures	421,614	504,043	82,429	531,927
Net change in fund balances/net position	\$ (87,314)	431,198	\$ 518,512	10,229
Net fund balances/net position				
Beginning of year		483,794		473,565
End of year		\$ 914,992		\$ 483,794

Elm Creek Watershed Management Commission

Notes to Financial Statements
December 31, 2017**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Organization**

The Elm Creek Watershed Management Commission is formed under a Joint Powers Agreement, as amended according to Minnesota Statutes Sections 103B.201 through 103B.255 and Minnesota Rules Chapter 8410 relating to Metropolitan Area Local Water Management and its reporting requirements. Elm Creek Watershed Management Commission was established in February, 1973 to protect and manage the natural resources of the Elm Creek Watershed.

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statement Presentation

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

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2017**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as 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 Commission considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Fund Financial Statement Presentation

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

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

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

Budgets

The amounts shown in the financial statements as "budget" represent the budget amounts based on the modified accrual basis of accounting. A budget for the General Fund is adopted annually by the Commission. Appropriations lapse at year-end. Budgetary control is at the fund level.

Use of Estimates

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

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2017**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Members' Contributions**

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

Capital assets

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

Risk Management

The Commission is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; error and omissions; and natural disasters. The Commission participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property, casualty, and other miscellaneous insurance coverages. LMCIT operates as a common risk management and insurance program for a large number of cities in Minnesota. The Commission pays an annual premium to LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage during the year ended December 31, 2017.

Receivables

The Commission utilizes an allowance for uncollectible accounts to value its receivables; however, it considers all of its receivables to be collectible as of December 31, 2017 and 2016.

Net Position

In the government-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.

Restricted Net Position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

The Commission applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2017**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Prior Period Comparative Financial Information/Reclassification**

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2016, from which the summarized information was derived. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - ASSETS, LIABILITIES AND NET POSITION**A. Deposits**

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

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

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

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

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

B. Investments

At December 31, 2017 and 2016, the Commission held \$1,109,621 and \$570,931 (approximate cost and fair market value), respectively, in investments with MBIA in Minnesota 4M Holdings.

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

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2017**NOTE 2 - ASSETS, LIABILITIES AND NET POSITION (CONTINUED)**

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

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

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

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

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

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2017**NOTE 2 - ASSETS, LIABILITIES AND NET POSITION (CONTINUED)****C. Guarantee Fee Deposits**

The financial and administrative guarantee fee deposits payable are received as guarantee that the mitigation will perform as required. Upon completion, and if the project meets the qualified plan requirements, these financial guarantees are refunded.

NOTE 3 - FUND BALANCE CLASSIFICATION

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

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

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

NOTE 4 - COMMITMENTS AND CONTRACTS**Minnesota Pollution Control Agency (MPCA) - Watershed-wide TMDL Project**

During 2009, the MPCA contracted the Commission to conduct a water monitoring program of the Elm Creek watershed for a cost not to exceed \$35,000. This contract was amended four times to add additional funds of \$148,000 for phase II, \$100,000 for phase III, \$109,995 for phase IV, \$16,500 for phase V and \$58,495 for phase VI. Total cost to the MPCA not to exceed \$467,990. The Commission has contracted Three Rivers Park District to perform the services in conjunction with this project. The Commission incurred expenses of \$668 and \$15,032 during the years ended December 31, 2017 and 2016, respectively. This project was finalized and approved during 2017.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2017**NOTE 4 - COMMITMENTS AND CONTRACTS (CONTINUED)****Restricted fund balance - capital improvement projects**

During 2015, the Commission received \$68,916 from tax levies that is to be used for the Tower Drive improvement project. The Commission incurred expenses of \$16 and \$37 in project related costs during the years ending December 31, 2017 and 2016, respectively. As of December 31, 2017, the city of Medina has yet to complete the project. The Commission will hold the remaining funds of \$66,874 (less administrative costs) until completion.

During 2015, the Commission received \$62,654 from tax levies that is to be used for the Elm Creek Dam rehabilitation project. The Commission incurred expenses of \$14 and \$34 in project related costs during the years ending December 31, 2017 and 2016, respectively. As of December 31, 2017, the city of Champlin has yet to complete the project. The Commission will hold the remaining funds of \$60,974 (less administrative costs) until completion.

During 2017 and 2016, the Commission received \$1,273 and \$249,866, respectively, from tax levies that is to be used for the Plymouth Elm Creek Restoration project. The Commission incurred \$1,836 and \$245,557 of costs associated with this project during the years ended December 31, 2017 and 2016, respectively. This project is substantially complete as of December 31, 2017.

During 2017, the Commission received \$80,353 from tax levies that is to be used for the Fox Creek Stream Bank Stabilization Phase Two Project. During 2016, The Commission incurred project related costs of \$106. The Commission will hold the remaining funds of \$80,247 (less administrative costs) until completion.

During 2017, the Commission received \$75,043 from tax levies that is to be used for the Mississippi River Shoreline Repair and Stabilization Project. During 2016, The Commission incurred project related costs of \$106. The Commission will hold the remaining funds of \$74,937 (less administrative costs) until completion.

During 2017, the Commission received \$187,604 from tax levies that is to be used for the Elm Creek Dam Rehabilitation Project. During 2016, The Commission incurred project related costs of \$106. The Commission will hold the remaining funds of \$187,498 (less administrative costs) until completion.

During 2017, the Commission received \$75,043 from tax levies that is to be used for the Rush Creek Main Restoration Project. During 2016, The Commission incurred project related costs of \$106. The Commission will hold the remaining funds of \$74,937 (less administrative costs) until completion.

During 2017, the Commission received \$75,043 from tax levies that is to be used for the Fish Lake Aluminum Treatment Project. During 2016, The Commission incurred project related costs of \$106. The Commission will hold the remaining funds of \$74,937 (less administrative costs) until completion.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2017

NOTE 4 - COMMITMENTS AND CONTRACTS (CONTINUED)**Grants****Fish Lake Internal Phosphorus Loading Control Project**

During 2017, the State of Minnesota Board of Water and Soil Resources (BWSR) awarded \$200,000 to the Commission for the Fish Lake Internal Phosphorus Loading Control Project. The total project is expected to cost \$300,000. The Commission is to provide \$75,000, the Three Rivers Park District is to provide \$8,000 and the Maple Grove Fish Lake Area Residents Association is to provide \$17,000 of the remaining costs associated with the project.

During 2017, the Commission received \$100,000 from BWSR and incurred costs of \$178,455 and fully expended its share of the project costs.

Rush Creek Headwaters Subwatersheds Assessment Project

During 2017, BWSR awarded \$50,280 to the Commission for the Rush Creek Headwaters Subwatersheds Assessment Project. The total project is expected to cost \$62,850. The Commission is to provide \$12,070 and the City of Corcoran is to provide \$500 of the remaining costs associated with the project.

During 2017, the Commission received \$25,140 from BWSR and incurred costs of \$33,320

NOTE 5 - MEMBERS' ASSESSMENTS

Dues received from members were as follows:

	For Year Ended December 31			
	2017		2016	
	Amount	Percentage	Amount	Percentage
Champlin	\$ 8,458	3.85 %	\$ 8,741	4.06 %
Corcoran	14,624	6.66	14,511	6.74
Dayton	10,333	4.70	9,974	4.63
Maple Grove	116,455	53.01	115,969	53.85
Medina	18,362	8.36	17,190	7.98
Plymouth	18,664	8.50	17,457	8.11
Rogers	32,804	14.92	31,518	14.63
Total	<u>\$ 219,700</u>	<u>100.00 %</u>	<u>\$ 215,360</u>	<u>100.00 %</u>

OTHER REQUIRED REPORTS

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

Board of Directors
Elm Creek Watershed Management Commission
Plymouth, MN

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and the major fund of the Elm Creek Watershed Management Commission (the Commission) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

April 11, 2018

INDEPENDENT AUDITORS' REPORT ON
MINNESOTA LEGAL COMPLIANCE

Board of Directors
Elm Creek Watershed Management Commission
Plymouth, 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 major fund of the Elm Creek Watershed Management Commission (the Commission) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 11, 2018.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the applicable listed categories, except that we did not test for compliance in tax increment financing, because the Commission does not utilize tax increment financing.

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

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

April 11, 2018