



Elm Creek Watershed Management Commission

Champlin • Corcoran • Dayton • Hassan • Maple Grove • Medina • Plymouth • Rogers

2007 Budget

	A	F	H
1		2006 Budget	2007 Budget
2		Adopted	Adopted
3	General Expenses		
4	From Cash Reserves		
5	Administrative	(70,000)	(75,000)
6	Website	(2,000)	(10,000)
7	Legal/Audit Services	(5,000)	(3,000)
8		(5,000)	(4,500)
9	Insurance	(3,360)	(4,000)
10	Miscellaneous	(1,000)	(1,000)
11	Sub Total	(86,360)	(97,500)
12	Project Reviews		
13	Revenue	140,000	100,000
14	Expenses - Technical	(63,750)	(65,000)
15	Expenses - Technical Support	(120,000)	(95,000)
16	Expenses - Support	(36,000)	(30,000)
17	Sub Total	(79,750)	(90,000)
18	Water Monitoring Programs		
19	Water Monitoring - Three Rivers Pks share	2,000	2,000
20	Stream Monitoring	(14,970)	(15,830)
21	Extra Sampling - 2005 Expense on 2006 Contract	0	
22	Gauging Station - Elec Bill	(150)	(150)
23	Lake Monitoring	(3,650)	(4,620)
24	Sub Total	(16,770)	(18,600)
25	BMP Implementation	0	
26	BMP Implementation	0	
27	Sub Total	0	
28	Wetland Conservation Act		
29	WCA Fees	6,000	6,000
30	Forfeited sureties		
31	WCA Expense - Technical	(11,250)	(10,000)
32	WCA Expense - Legal	(3,500)	(1,000)
33	WCA Expense - Admin	(4,000)	(4,000)
34	Sub Total	(12,750)	(9,000)
35	Second Generation Management Plan		
36	Administrative Support, Local Plans	0	(2,000)
37	Sub Total	0	(2,000)
38	Special Projects		
39	Macroinvertebrate Monitoring	(5,600)	(6,000)
40	Rain Gauge Network	(1,000)	(2,000)
41	Capital Improvement Project	(7,000)	(10,000)
42	Education/Training	(2,000)	(2,000)
43	Property Owner Survey		(2,000)
44	Education Grants		(5,000)
45	Special Projects	(5,000)	(5,000)
46	Wetland Monitoring	(1,600)	(1,600)
47	Contingency	(1,000)	
48	Sub Total	(23,200)	(33,600)
49	Channel Study		
50	Revenue - Three Rivers Park District	0	0
51	Stormwater Studies/Programs- Channel Study	0	0
52	Amendments to contract	(33,000)	0
53	Sub Total	(33,000)	0
54	Surplus (-Deficit) All Activities	(251,830)	(250,700)
55	Revenue		
56	Membership Dues	154,000	170,000
57	Interest Income	300	6,000
58	Miscellaneous Income	250	250
59	To (from) Reserves		
60	Total General Revenue	154,550	176,250
61	Balance Yearly Activity	(97,280)	(74,450)
62	Fund Balance, Beginning of Year	213,968	108,574
63	Adj for Incr (Decr) in Encumbered Funds (WCA)		10,000
64	Fund Balance Year-End Less Cash Reserves Utilized	116,688	44,124
65	Encumbered Funds - WCA (accum) (cash)	(35,000)	(25,000)
66	Unencumbered Funds	81,688	19,124

Appendix 7



Elm Creek Watershed Management Commission

2007 Member Assessments

2006					
	2005 Taxable Market Value	2006 Budget Share		Increase over Prev Year	
		%age	Dollars	%age	Dollars
Champlin	461,179,700	4.79%	7,371.78	-27.22%	-2,757.52
Corcoran	625,141,800	6.49%	9,992.65	13.12%	1,159.26
Dayton	422,964,900	4.39%	6,760.93	5.97%	380.69
Hassan	379,037,800	3.93%	6,058.77	3.56%	208.18
Maple Grove	5,880,328,300	61.04%	93,994.78	12.70%	10,594.55
Medina	512,545,000	5.32%	8,192.83	12.68%	921.83
Plymouth	485,141,000	5.04%	7,754.79	10.13%	713.46
Rogers	867,926,100	9.01%	13,873.46	25.05%	2,779.55
Totals	9,634,264,600	100.00%	154,000.00	10.00%	9,800.00
2007					
	2006 Taxable Market Value	2007 Budget Share		Increase over Prev Year	
		%age	Dollars	%age	Dollars
Champlin	562,148,400	5.75%	9,782.60	32.70%	2,410.82
Corcoran	647,873,040	6.63%	11,274.39	12.83%	1,281.74
Dayton	499,899,200	5.12%	8,699.33	28.67%	1,938.40
Hassan	441,960,600	4.52%	7,691.07	26.94%	1,632.30
Maple Grove	5,347,929,300	54.74%	93,065.53	-0.99%	-929.25
Medina	624,954,500	6.40%	10,875.56	32.74%	2,682.72
Plymouth	544,083,800	5.57%	9,468.23	22.10%	1,713.44
Rogers	1,100,052,900	11.26%	19,143.30	37.98%	5,269.83
Totals	9,768,901,740	100.00%	170,000.00	10.39%	16,000.00

Treasurer's Report—December 31, 2007 (unaudited)

	A	B	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG	AI
1			2007 Budget (Amended)	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2007 Budget YTD
2	EXPENSES															
3	Administrative		75,000.00	4,849.61	5,434.05	4,775.29	5,261.32	6,188.10	6,936.98	6,155.75	5,955.19	6,695.15	6,665.43	7,474.41	7,842.74	69,389.41
4	Website		10,000.00	441.90	112.50	476.40	125.00	104.00	537.50	116.50	265.50	1,513.00	287.50	191.50	628.50	4,357.90
5	Legal		3,000.00			196.00			42.00	84.00			112.00		630.00	1,064.00
6	Audit		4,500.00									4,500.00				4,500.00
7	Insurance		4,000.00		96.00	218.00	3,343.00									3,657.00
8	Miscellaneous		1,000.00									786.60				786.60
9	Project Reviews	HCES	65,000.00												46,382.00	46,382.00
10	Project Reviews	Consult	62,000.00	849.00												849.00
11	Project Reviews	Admin	20,000.00	239.73	208.39	287.52	454.63	719.21	1,204.66	1,264.62	1,452.37	782.50	551.63	452.93	881.27	8,259.73
12	WCA-Technical	HCES	10,000.00													
13	WCA	Admin	4,000.00	100.56	61.96	563.42	1,995.71	719.14	149.10	129.65	29.60	111.79	192.49	260.31	187.93	4,401.10
14	WCA	Legal	1,000.00													0.00
15	Stream Monitoring - PY		3,770.00						3,770.00							0.00
16	Stream Monitoring - CY		15,830.00						4,025.00		3,898.00				3,897.00	11,820.00
17	Rain Gauge		150.00	8.16	8.07	8.00	8.00	8.35	8.87	10.34	10.94	11.03	10.94	9.90	7.12	101.56
18	Rain Gauge Network		2,000.00	973.00		884.82	316.74		51.65							1,253.21
19	Lakes Monitoring		4,620.00								1,650.00				2,520.00	4,170.00
20	Invertebrate Monitoring		6,000.00												6,000.00	6,000.00
21	Wetland Monitoring		1,600.00	1,600.00											1,600.00	1,600.00
22	Channel Study - Admin		2,500.00	546.19	322.21	540.03	745.68	336.61	1,015.85	790.24	2,086.08	754.69	275.10	915.65	81.40	7,864.54
23	Channel Study									9,520.50		3,215.06		1,200.00		4,415.06
24	Channel Study Consultant				1,536.53		934.38	70.00	820.00			200.00				3,560.91
25	Channel Study Review		5,000.00													0.00
26	Channel Study Amendments		10,000.00													0.00
27	CWLA Grant															0.00
28	Admin		7,225.00	612.50	1,955.58	723.84	191.03	18.00			61.09		9.90	325.15	165.50	3,450.09
29	Water Monitoring		440.00													0.00
30	Vol Coordinator		7,500.00													0.00
31	Other - TRPD		19,700.00													0.00
32	Other - HCES		100.00													0.00
33	Other - Eqpt		21,000.00													0.00
34	Special Projects - 2007		5,000.00													0.00
35	Special Projects - 2006		0.00													0.00
36	Flood Map Digitization		6,500.00													0.00
37	2nd Gen Plan-Local Plans		2,000.00		23.70	4.00	2,478.56	2,754.80	413.50	828.38		1,614.03	582.65	1,680.00	1,302.25	6,498.91
38	Plan Amendment															0.00
39	Capital Improvement Projects 2006		0.00													0.00
40	Capital Improvement Projects 2007		10,000.00													11,685.37
41	Education		2,000.00			112.50										804.84
42	Survey		2,000.00										125.00	162.50		400.00
43	Education Grants		5,000.00											1,000.00		1,000.00
44	Tristan Bay		248.00	251.77												0.00
46	TOTAL - Month		3,770.00	10,472.42	9,758.99	8,789.82	16,397.55	12,655.75	25,673.27	20,214.98	15,409.77	21,202.21	8,814.64	14,102.35	80,708.55	220,437.38
47	TOTAL - Year		395,913.00	10,472.42	20,231.41	29,021.23	45,418.78	58,074.53	83,747.80	103,962.78	119,372.55	140,574.76	149,389.40	163,491.75	244,200.30	



Elm Creek Watershed Management Commission

Treasurer's Report—December 31, 2007 (unaudited)

	A	B	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG	AI
48 INCOME																
49 From Fund Balance	109,663.00															
50 Member Dues	170,000.00			93,352.40	9,468.23			5,637.19	15,009.43	46,532.76						170,000.01
51 Member Dues - PY				6,936.73												6,936.73
52 Water Qlty Monitoring	2,000.00			2,600.76												2,600.76
53 Misc Income	250.00															0.00
54 Project Reviews - current year	65,000.00			11,650.00	3,150.00	7,250.00	2,850.00	3,250.00	4,600.00	2,400.00	250.00	500.00	2,250.00	3,250.00		41,400.00
55 Project Reviews - prior year						1,500.00		3,750.00	1,650.00							6,900.00
56 Project Fees Returned - CY						-1,700.00	-200.00			-500.00						-2,400.00
57 Project Fees Returned - PY																0.00
58 WCA Fees - current year	6,000.00			1,000.00		50.00		550.00	1,000.00	250.00		250.00	3,000.00		200.00	6,300.00
59 WCA Fees - prior year									250.00							250.00
60 WCA Fees Returned																0.00
61 CWLA Grant	35,000.00															0.00
62 Channel Study																0.00
63 Interest/Dividends Earned	8,000.00			1,220.11	1,353.55	1,517.56	1,436.54	1,442.40	1,424.48	1,541.51	1,571.68	1,486.22	1,437.14	1,298.79		15,729.98
64 TOTAL - Month				116,760.00	13,971.78	8,617.56	4,086.54	14,629.59	23,933.91	50,224.27	1,821.68	2,236.22	6,687.14	4,548.79	200.00	247,717.48
65 TOTAL - Year	395,913.00			116,760.00	130,731.78	139,349.34	143,435.88	158,065.47	181,999.38	232,223.65	234,045.33	236,281.55	242,968.69	247,517.48	247,717.48	
66 CASH SUMMARY																
67 Checking																
68 AM Fund				342,493.86	346,706.65	346,534.39	334,223.38	336,197.22	333,771.96	363,781.25	350,193.16	330,211.81	327,713.05	318,100.49	237,591.94	
69 FBS Fund																
70 Cash on Hand				342,493.86	346,706.65	346,534.39	334,223.38	336,197.22	333,771.96	363,781.25	350,193.16	330,211.81	327,713.05	318,100.49	237,591.94	
71 CASH SURETIES HELD - PRIOR YEAR-END																
72 WCA Escrows Received Current Year				0.00	0.00											0.00
73 WCA Escrow Refunded Current Year				0.00	0.00				-685.90			-1,016.36	-371.26	-59.00		-2,131.52
74 Total Cash Sureties Held				42,476.98	42,476.98	42,476.98	42,476.98	42,476.98	41,791.08	41,791.08	41,791.08	40,775.72	40,404.46	40,345.46	40,345.46	

ELM CREEK WATERSHED
MANAGEMENT COMMISSION

Annual Financial Report
Year Ended
December 31, 2007



BASIC FINANCIAL STATEMENTS

Elm Creek Watershed Management Commission

Statement of Net Assets and Balance Sheet

General Fund

As of December 31, 2007

(with Comparative Actual Amounts as of December 31, 2006)

	Governmental Activities	
	2007	2006
Assets		
Current assets		
Investments	\$ 255,295	\$ 253,603
Accounts receivable	3,439	9,537
Prepaid expenses	-	300
Total assets	<u>\$ 258,734</u>	<u>\$ 263,440</u>
Liabilities and Fund Balances/Net Assets		
Current liabilities		
Accounts payable	\$ 34,177	\$ 25,215
Fund balances/net assets		
Reserved fund balance	39,671	44,541
Unreserved/unrestricted	184,886	193,684
Total fund balances	<u>224,557</u>	<u>238,225</u>
Total liabilities and fund balances/net assets	<u>\$ 258,734</u>	<u>\$ 263,440</u>



Elm Creek Watershed Management Commission

Elm Creek Watershed Management Commission

Statement of Activities and Revenue, Expenditures, and Changes in Fund Balances/Net Assets

Budget and Actual General Fund

Year Ended December 31, 2007

(with Comparative Actual Amounts for the Year Ended December 31, 2006)

	Governmental Activities		
	2007	2006	
	Original and Final Budget	(Audited)	Over (Under)
			(Audited)
Program/project expenditures/expenses			
Invertebrate monitoring	\$ 6,000	\$ 6,000	\$ -
Lakes monitoring	4,620	4,170	(450)
Stream monitoring	15,830	15,718	(112)
Rain gauge	2,150	1,364	(786)
Wetland monitoring	1,600	1,600	-
Project reviews	147,000	59,988	(87,012)
Channel study	17,500	13,776	(3,724)
Special projects	11,500	6,499	(5,001)
Capital improvement projects	10,000	-	(10,000)
Second generation plan	2,000	-	(2,000)
Plan amendment	-	1,932	1,932
Watershed management plan	-	12,249	12,249
CWLA grant	55,965	23,311	(32,654)
WCA - administration	5,000	4,710	(290)
WCA - technical services	10,000	7,058	(2,942)
Total program/project expenses	289,165	158,375	(130,790)
Program/project revenue			
Membership dues	170,000	170,000	-
WCA administration fees	6,000	6,100	100
Project reviews	65,000	46,200	(18,800)
Water monitoring - lakes and streams	2,000	2,389	389
CWLA grant	35,000	-	(35,000)
Channel study	-	-	-
Total program/project revenue	278,000	224,689	(53,311)
Net program/project revenue	(11,165)	66,314	77,479
General expenditures/expenses			
Administration	75,000	75,080	80
Insurance	4,000	3,362	(638)
Legal and audit services	7,500	5,634	(1,866)
Web site	10,000	4,832	(5,168)
Education and training	9,248	2,400	(6,848)
Miscellaneous	1,000	787	(213)
Total general expenses	106,748	92,095	(14,653)
General revenue			
Interest and dividend income	8,000	16,983	8,983
Miscellaneous income	250	-	(250)
Total general revenue	8,250	16,983	8,733
Net general revenue (expenses)	(98,498)	(75,112)	23,386
Change in net assets/fund balance	\$ (109,663)	(8,798)	\$ 100,865
Fund balance - unreserved/unrestricted			
Fund balance - beginning of year		193,684	188,968
Fund balance - end of year		\$ 184,886	\$ 193,684

See notes to financial statements

Elm Creek Watershed Management Commission

Notes to Financial Statements
December 31, 2007

NOTE 1 - 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.

Entity-Wide Financial Statement Presentation

The entity-wide financial statements (the Statement of Net Assets and the Statement of Activities) display 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.

The entity-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.



Elm Creek Watershed Management Commission

ELM CREEK WATERSHED MANAGEMENT COMMISSION

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JOHNSON & COMPANY, Ltd.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Elm Creek Watershed Management Commission
Plymouth, Minnesota

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, 2007, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the Commission as of December 31, 2007, and the respective changes in the financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Commission has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

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

Johnson + Company, Ltd.

August 11, 2008



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Elm Creek Watershed Management Commission

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statement Presentation

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

Governmental Fund financial statements are reported using the current financial resources and measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

1. **Revenue Recognition** - Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if collected within 60 days after year-end. All significant revenue sources are considered susceptible to accrual.
2. **Recording of Expenditures** - Expenditures are generally recorded when a liability is incurred.

Budgets

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

Use of estimates

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

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.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

GASB Statement No. 34

The Commission has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 sets forth a new financial reporting model for state and local governments, and its implementation has resulted in a number of changes to the Commission's financial statements.

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, 2007 and 2006.

NOTE 2 - CASH AND INVESTMENTS

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, 2007 and 2006, the Commission held \$255,295 and \$253,603 (approximate cost and fair market value), respectively, in investments with MBIA in Minnesota 4M Holdings.



Elm Creek Watershed Management Commission

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2007

NOTE 2 - CASH AND INVESTMENTS (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, 2007

NOTE 3 - RESERVED AND UNRESERVED FUNDS

Unreserved funds are received and available for use in the normal operations of the Commission.

Reserved funds are comprised of the following:

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

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

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

NOTE 4 - LETTERS OF CREDIT

Letters of credit have been received as replacement plan/monitoring guarantees for the following projects:

Meadow Creek - Project 2004-022	5,000
Doboszinski & Sons - Project 2006-002	<u>100,000</u>
Total letters of credit	<u><u>\$105,000</u></u>

NOTE 5 - COMMITMENTS AND CONTRACTS

Hennepin County (the County)

The Commission agrees to purchase technical services during 2008 from the County at a cost of the lesser of \$77,250 or 80% of the actual wages paid by the County. During 2007, the Commission paid \$61,040 to the County for technical services.

Three Rivers Park District (the District) - Channel Study

In a joint powers agreement with the Three Rivers Park District, the Commission agreed to fund \$66,200 in cost-sharing for the study of the Elm, Rush and Diamond Channels. During 2007, the Commission incurred \$15,841 in expenses associated with this project.

State of Minnesota - Clean Water Legacy Surface Water Assessment Grant

During 2007, the Commission was awarded a Clean Water Legacy Surface Water Assessment Grant of \$89,360 from the State of Minnesota. The Commission must match the award with \$147,090 in cash and \$30,580 in-kind. The grant period is from February 28, 2007 through June 30, 2009. The Commission will use the results of this project to begin development of the Elm Creek TMDL Project.



Elm Creek Watershed Management Commission

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued) December 31, 2007

NOTE 5 - COMMITMENTS AND CONTRACTS (CONTINUED)

U.S. Geological Survey

The Commission and the U.S. Geological Survey each agree to pay \$15,595 of the costs associated with the operation and maintenance of the gaging station and water sampling on Elm Creek for the period of October 1, 2007 through September 30, 2008.

NOTE 6 - MEMBERS' DUES

Dues received from members were as follows:

	For Year Ended December 31			
	2007		2006	
	Amount	Percentage	Amount	Percentage
Champlin	\$ 9,783	5.75 %	\$ 7,372	4.79 %
Corcoran	11,274	6.63	9,992	6.49
Dayton	8,699	5.12	6,761	4.39
Hassan	7,691	4.52	6,059	3.93
Maple Grove	93,066	54.74	93,995	61.04
Medina	10,876	6.40	8,193	5.32
Plymouth	9,468	5.57	7,755	5.04
Rogers	19,143	11.26	13,873	9.01
Total	<u>\$170,000</u>	<u>100.00 %</u>	<u>\$154,000</u>	<u>100.00 %</u>

OTHER REQUIRED REPORTS



Elm Creek Watershed Management Commission

JOHNSON & COMPANY, Ltd.

Certified Public Accountants

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Bridget K. McKelvey, C.P.A., M.B.T.
Thomas D. Johnson, C.P.A.
Dwayne C. Johnson, C.P.A.

MEMBER
American Institute of Certified Public Accountants
Minnesota Society of Certified Public Accountants
Private Companies Practice Section of
American Institute of Certified Public Accountants

Thomas A. Barber, C.P.A.
Kristi K. Boisclair, C.P.A.
Alisa K. Cardinal, C.P.A.
Brad R. Cohrs, C.P.A.
Julie A. Lawrence, C.P.A.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

Board of Directors
Elm Creek Watershed Management Commission
Plymouth, MN

In planning and performing our audit of the financial statements of the Elm Creek Watershed Management Commission as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified 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.

This communication is intended solely for the information and use of the Board of Directors to the Commission, its member cities, the state of Minnesota, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson & Company, Ltd.

August 11, 2008



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH MINNESOTA STATE LAWS AND REGULATIONS

Board of Directors
Elm Creek Watershed Management Commission
Plymouth, Minnesota

We have audited 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, 2007, which collectively comprise the Commission's basic financial statements, and have issued our report thereon August 11, 2008.

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

The *Minnesota Legal Compliance Audit Guide for Local Governments* covers five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. Our study included all of the applicable categories.

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

This report is intended solely for the information and use of the Commission, its member cities, the state of Minnesota, and management of the Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Johnson & Company, Ltd.

August 11, 2008

