

**Elm Creek Watershed Management Commission**  
**2015 and 2016 Operating Budgets**

	A	B	C	D	AD		AE
3					2015	Budget	2016 Budget
4	<b>GENERAL OPERATING BUDGET</b>						
5	<b>Expenses</b>						
6			Administrative		89,000		90,000
7			Watershed-wide TMDL Admin (Commission in-kind)		60,000		24,406
8			Grant Writing		5,000		5,100
9			Website		5,000		6,000
10			Legal Services		2,000		2,000
11			Audit		5,000		5,000
12			Insurance		3,500		3,800
13			Contingency		1,000		2,000
14				<b>Subtotal</b>	<b>170,500</b>		<b>138,306</b>
15			Project Reviews				
16			Technical - HCES		77,500		105,500
17			Technical Support - Consultant		3,000		6,000
18			Admin Support		8,000		11,000
19				<b>Subtotal</b>	<b>88,500</b>		<b>122,500</b>
20			Wetland Conservation Act				
21			WCA Expense - HCES		12,500		12,500
22			WCA Expense - Legal		500		500
23			WCA Expense - Admin		2,000		2,000
24				<b>Subtotal</b>	<b>15,000</b>		<b>15,000</b>
25			Water Monitoring				
26			Stream Monitoring				
27			Stream Monitoring - USGS		21,700		23,500
29			Extensive Stream Monitoring		7,000		7,200
30			DO Longitudinal Survey				500
31			Gauging Station - Elec Bill		190		195
32			Rain Gauge Network		100		100
33			Lake Monitoring				
34			Lake Monitoring - CAMP		1,650		1,650
35			Lake Monitoring - TRPD		4,240		
36			Sentinel Lakes				3,100
37			Additional lake				600
38			Aquatic Vegetation Surveys				1,000
39			Wetland Monitoring - WHEP		4,000		4,000
40			Stream Health - SHEP		6,000		6,000
41				<b>Subtotal</b>	<b>44,880</b>		<b>47,845</b>
42			Education				
43			Education - City/Citizen Programs		5,500		6,000
44			2011 Workshop Series				
45			WMWA General Admin		4,000		4,000
46			WMWA Implementa Activities incl Watershed PREP		6,000		6,000
47			Survey				
48			R Garden Workshop/Intensive BMPs		3,000		3,000
49			Education Grants		3,000		3,000
50			Macroinvertebrate Monitoring-River Watch		6,000		6,000
51			Ag Specialist		2,000		2,000
52				<b>Subtotal</b>	<b>29,500</b>		<b>30,000</b>

**Elm Creek Watershed Management Commission**  
**2015 and 2016 Operating Budgets**

	A	B	C	D	AD		AE
3					2015	Budget	2016 Budget
53				Stormwater Studies - Channel Study			
54				Channel Study - Admin			
55				Channel Study Review			
56				Channel Study Amendments			
57							
58				Management Plan			
59				Plan Amendments			5,000
60				Local Plan Review - due two years after Commission Plan adoption			3,000
61				<b>Subtotal</b>		<b>0</b>	<b>8,000</b>
62				Special Projects			
63				CWLA Grant			
64				Projects ineligible for ad valorem			50,000
65				Upper and South Metro Miss TMDL		2,000	1,000
66				Studies, Project Identification, Subwatershed Assessments		35,000	35,000
67				<b>Subtotal</b>		<b>37,000</b>	<b>86,000</b>
68							
69				Contingency		3,000	0
70				<b>Subtotal</b>		<b>3,000</b>	<b>0</b>
71				<b>Total Operating Expense</b>		<b>388,380</b>	<b>447,651</b>
72							
73				<b>Revenue</b>			
74				Project Review Fees		80,000	100,000
75				Water Monitoring - TRPD Co-op Agmt		5,500	6,000
76				BMP Implementation			
77				WCA Fees		1,500	5,000
78				Forfeited/Reimbursed Sureties/Reimbursement from LGUs		3,000	1,500
79				Membership Dues		209,000	215,360
80				Interest Income		100	80
81				Miscellaneous Income		0	
82				From (To) Cash Reserves			
83				<b>Total Operating Revenue</b>		<b>299,100</b>	<b>327,940</b>
84							
85				<b>TOTAL GENERAL OPERATING BUDGET</b>		<b>89,280</b>	<b>119,711</b>
86							
87				<b>Cash on hand, unencumbered</b>		<b>193,405</b>	<b>73,694</b>

**Elm Creek Watershed Management Commission  
2015 - 2016 Member Assessments**

2015	2014 Taxable Market Value		2015 Budget Share		Increase over Prev Year	
			%age	Dollars	%age	Dollars
Champlin	365,574,074		4.03%	8,419.54	-11.93%	-1,141
Corcoran	575,802,450		6.35%	13,261.31	-2.67%	-363
Dayton	415,447,282		4.58%	9,568.17	2.35%	220
Maple Grove	4,972,351,933		54.79%	114,518.23	3.58%	3,953
Medina	711,145,751		7.84%	16,378.40	-0.10%	-17
Plymouth	692,491,402		7.63%	15,948.77	14.88%	2,066
Rogers	1,341,913,004		14.79%	30,905.60	4.33%	1,282
<b>Totals</b>	<b>9,074,725,896</b>		<b>100.00%</b>	<b>209,000.00</b>	<b>2.96%</b>	<b>6,000</b>
2016	2015 Taxable Market Value		2016 Budget Share		Increase over Prev Year	
			%age	Dollars	%age	Dollars
Champlin	409,399,869		4.06%	8,741.51	3.82%	322
Corcoran	679,629,691		6.74%	14,511.46	9.43%	1,250
Dayton	467,103,289		4.63%	9,973.60	4.24%	405
Maple Grove	5,431,286,657		53.85%	115,968.92	1.27%	1,451
Medina	805,089,215		7.98%	17,190.28	4.96%	812
Plymouth	817,567,896		8.11%	17,456.72	9.45%	1,508
Rogers	1,476,090,709		14.63%	31,517.51	1.98%	612
<b>Totals</b>	<b>10,086,167,326</b>		<b>100.00%</b>	<b>215,360.00</b>	<b>3.04%</b>	<b>6,360</b>

ELM CREEK WATERSHED  
MANAGEMENT COMMISSION

Financial Statements and  
Supplemental Information  
Year Ended  
December 31, 2015

## ELM CREEK WATERSHED MANAGEMENT COMMISSION

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**JOHNSON & COMPANY, Ltd.**

Certified Public Accountants

Thomas J. Opitz, CPA, CVA  
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MEMBER  
American Institute of Certified Public Accountants  
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American Institute of Certified Public Accountants

Dwayne C. Johnson (Retired)  
Lisa M. Roden, CPA, MST  
Brad R. Cohrs, CPA  
Robert Van Winkle, CPA

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
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, 2015, 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, 2015, 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, 2014 and, in our report dated April 6, 2015, 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, 2014, from which such information was derived.

**Other Reporting**

We have also issued our report dated April 6, 2016, 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 6, 2016

BASIC FINANCIAL STATEMENTS



## Elm Creek Watershed Management Commission

Statement of Net Position and  
Governmental Fund Balance Sheet

As of December 31, 2015

(with Partial Comparative Actual Amounts as of December 31, 2014)

	Governmental Activities	
	2015	2014
<b>Assets</b>		
Investments	\$ 517,502	\$ 381,876
Accounts receivable	12,680	5,820
Total assets	<u>\$ 530,182</u>	<u>\$ 387,696</u>
<b>Liabilities and Fund Balances/Net Position</b>		
<b>Liabilities</b>		
Accounts payable	\$ 56,617	\$ 29,791
<b>Fund balances/net position</b>		
Restricted fund balances/net position		
Restricted for capital improvement projects	125,342	-
Assigned fund balances/net position		
Assigned for capital improvement projects	-	55,000
Assigned for capital projects, studies	34,316	20,220
Unrestricted/unassigned fund balances/net position	313,907	282,685
Total assigned or unrestricted fund balances/net position	<u>348,223</u>	<u>357,905</u>
Total fund balances/net position	<u>473,565</u>	<u>357,905</u>
Total liabilities and fund balances/net position	<u>\$ 530,182</u>	<u>\$ 387,696</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, 2015

(with Partial Comparative Actual Amounts for the Year Ended December 31, 2014)

	Governmental Activities			
	2015		2014	
	Original and Final Budget	(Audited)	Over (Under)	(Audited)
Program/project expenditures/expenses				
General government				
Invertebrate monitoring	\$ 6,000	\$ 6,000	\$ -	\$ 6,000
Lakes monitoring	5,890	3,400	(2,490)	4,550
Stream monitoring	28,700	25,750	(2,950)	19,830
Rain gauge	190	197	7	181
Rain network	100	-	(100)	-
Wetland monitoring	4,000	4,000	-	4,000
Project reviews	88,500	110,648	22,148	90,984
Watershed-wide TMDL	60,000	41,420	(18,580)	82,884
Watershed-wide TMDL - administrative	-	1,820	1,820	6,904
South metro miss TMDL	1,000	-	(1,000)	-
Upper miss bacteria TMDL	1,000	-	(1,000)	-
Second generation plan amendment	-	-	-	3,953
Third generation management plan	-	9,165	9,165	37,450
Subwatershed assessment	25,000	-	(25,000)	-
Capital improvement projects	10,000	3,291	(6,709)	5,806
Stream health evaluation	6,000	6,000	-	6,000
WCA project reviews	15,000	12,807	(2,193)	10,967
Total program/project expenditures/expenses	251,380	224,498	(26,882)	279,509
Program/project revenues				
General government				
Membership dues	209,000	209,000	-	203,000
WCA administration fees	1,500	3,985	2,485	4,990
Project reviews	80,000	75,705	(4,295)	98,670
Water monitoring - lakes and streams	5,500	6,000	500	5,170
Watershed-wide TMDL	-	12,680	12,680	69,934
Miscellaneous	3,000	-	(3,000)	-
CIP - Medina tower drive	-	68,916	68,916	-
CIP - Champlin mill pond dam	-	62,654	62,654	-
Total program/project revenues	299,000	438,940	139,940	381,764
Net program/project revenues	47,620	214,442	166,822	102,255
General expenditures/expenses				
Administration	89,000	75,616	(13,384)	69,923
Insurance	3,500	2,349	(1,151)	3,014
Legal and audit services	7,000	4,964	(2,036)	4,877
Web site	5,000	2,569	(2,431)	1,755
Education and training	23,500	13,367	(10,133)	13,810
Grant writing	5,000	-	(5,000)	-
Contingency	3,000	-	(3,000)	-
Miscellaneous	1,000	-	(1,000)	-
Total general expenditures/expenses	137,000	98,865	(38,135)	93,379
General revenues				
Interest and dividend income	100	83	(17)	77
Net general revenues (expenditures/expenses)	(136,900)	(98,782)	38,118	(93,302)
Change in net position	\$ (89,280)	115,660	\$ 204,940	8,953
Fund balances/net position - assigned or unrestricted				
Beginning of year		357,905		348,952
End of year		\$ 473,565		\$ 357,905

## Elm Creek Watershed Management Commission

Notes to Financial Statements  
December 31, 2015**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.

**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.



## Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)  
December 31, 2015**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

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 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, 2015**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.

**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, 2015.

**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, 2015 and 2014.

**Net Position**

Net position represents the difference between assets and liabilities in the government-wide financial statements.

**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, 2014, 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.

## Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)  
December 31, 2015**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, 2015 and 2014, the Commission held \$517,502 and \$381,876 (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, 2015**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, 2015**NOTE 3 - FUND EQUITY**

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

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - 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 fund balance - 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 fund balance - 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 fund balance - 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 earned and expensed \$12,680 and \$69,934, during the years ended December 31, 2015 and 2014, respectively.

**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. As of December 31, 2015, the city of Medina has yet to complete the project. The Commission will hold the funds of \$66,927, amount of the levy, (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. As of December 31, 2015, the city of Champlin has yet to complete the project. The Commission will hold the funds of \$61,022, amount of the levy, (less administrative costs) until completion.

During 2015, the Commission agreed to support the city of Plymouth with certain water quality capital improvement projects. As of December 31, 2015, the Commission has incurred \$2,606 of costs associated with this project. All tax levies and remaining related expenses will take place in 2016.



## Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)  
December 31, 2015**NOTE 5 - MEMBERS' DUES**

Dues received from members were as follows:

	For Year Ended December 31			
	2015		2014	
	Amount	Percentage	Amount	Percentage
Champlin	\$ 8,420	4.03 %	\$ 9,561	4.71 %
Corcoran	13,261	6.35	13,625	6.71
Dayton	9,568	4.58	9,348	4.61
Maple Grove	114,518	54.79	110,565	54.47
Medina	16,378	7.84	16,395	8.08
Plymouth	15,949	7.63	13,883	6.84
Rogers	30,906	14.78	29,623	14.58
Total	<u>\$209,000</u>	<u>100.00 %</u>	<u>\$203,000</u>	<u>100.00 %</u>

OTHER REQUIRED REPORTS

**JOHNSON & COMPANY, Ltd.**

Certified Public Accountants

Thomas J. Opitz, CPA, CVA  
 Bridget K. McKelvey, CPA, MBT, CVA  
 Thomas D. Johnson, CPA  
 Thomas A. Barber, CPA

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

Dwayne C. Johnson (Retired)  
 Lisa M. Roden, CPA, MST  
 Brad R. Cohrs, CPA  
 Robert Van Winkle, CPA

**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, 2015, 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 6, 2016.

**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.

Johnson + Company, Ltd.

April 6, 2016

**JOHNSON & COMPANY, Ltd.**

Certified Public Accountants

Thomas J. Opitz, CPA, CVA  
Bridget K. McKelvey, CPA, MBT, CVA  
Thomas D. Johnson, CPA  
Thomas A. Barber, CPA

MEMBER  
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Lisa M. Roden, CPA, MST  
Brad R. Cohrs, CPA  
Robert Van Winkle, CPA

**INDEPENDENT AUDITORS' REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

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, 2015, 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 6, 2016.

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 Political Subdivisions*, 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 Political Subdivisions* covers six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed 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.

The purpose of this report on Minnesota legal compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute 6.65. Accordingly, this report is not suitable for any other purpose.

*Johnson & Company, Ltd.*

April 6, 2016

