

**Elm Creek Watershed Management Commission - 2019-2020 Operating Budget**

	A	B	C	D	AW	AX	AY	AZ
3					<b>2019 Budget</b>		<b>2020 Budget</b>	
4	<b>GENERAL OPERATING BUDGET</b>							
5	<b>Operating Expenses</b>							
6		Administrative			90,000		90,000	
7		Watershed-wide TMDL Admin			1,500		300	
8		Grant Writing			4,000		1,000	
9		Website			5,000		3,000	
10		Legal Services			2,000		2,000	
11		Audit			5,000		5,000	
12		Insurance (dividend 2017 = \$487)			3,900		3,900	
13		Technical support - HCEE					15,000	
14		Contingency			1,000		1,000	
15				<b>Subtotal</b>	<b>112,400</b>		<b>121,200</b>	
16		Project Reviews						
17		Technical - HCEE			97,400		0	
18		Technical - HCEE - Floodplain modeling			46,386		39,360	
19		Technical Support - Consultant			15,000		185,000	
20		Admin Support			15,000		15,000	
21				<b>Subtotal</b>	<b>173,786</b>		<b>239,360</b>	
22		Wetland Conservation Act						
23		WCA Expense - HCEE			18,200		3,000	
24		WCA Expense - Legal			500		500	
25		WCA Expense - Admin			2,000		1,000	
26				<b>Subtotal</b>	<b>20,700</b>		<b>4,500</b>	
27		Water Monitoring						
28		Stream Monitoring						
29		Stream Monitoring - USGS			41,000		24,000	
30		Stream Monitoring - TRPD			6,225			
31		Extensive Stream Monitoring			650		7,200	
32		DO Longitudinal Survey					1,000	
33		Gauging Station - Elec Bill			250		250	
34		Rain Gauge Network			100		100	
35		Lake Monitoring						
36		Lake Monitoring - CAMP			760		760	

**Elm Creek Watershed Management Commission - 2019-2020 Operating Budget**

	A	B	C	D	AW	AX	AY	AZ
3					<b>2019 Budget</b>		<b>2020 Budget</b>	
37				Lake Monitoring - TRPD				
38				Sentinel Lakes	8,100		8,100	
39				Additional lake	1,500		2,500	
40				Aquatic Vegetation Surveys	325		1,100	
41	v			Source Assessment				
42	v			Watershed-wide TMDL - Followup - TRPD	2,500		1,000	
43				Wetland Monitoring - WHEP	4,000		4,000	
45				<b>Subtotal</b>	<b>65,410</b>		<b>50,010</b>	
46				Education				
47				Education - City/Citizen Programs	4,000		3,000	
49				WMWA General Admin	5,000		5,000	
50				WMWA Implementa Activities incl Watershed	6,500		6,500	
52				R Garden Workshop/Intensive BMPs	2,000		3,000	
53				Education Grants	1,000		1,000	
54				Macroinvertebrate Monitoring-River Watch	3,000		3,000	
55				Ag Specialist				
56				<b>Subtotal</b>	<b>21,500</b>		<b>21,500</b>	
61				Management Plan				
62				Plan Amendments	2,000		2,000	
63				Local Plan Review				
64				Contribution to 4th Generation Plan				
65				<b>Subtotal</b>	<b>2,000</b>		<b>2,000</b>	
66				CIPs, Grants, Special Projects, Studies				
67				Capital Outlay - CIPs - Ad Valorem	462,500		448,935	\$423,323 adjusted for admin exp, levy shortfall
68				Grants			125,000	
69				Projects ineligible for ad valorem			0	\$50,000 (2019) reassigned to Genl Fund 5/8/2019
73				Studies, Subwatershed Assessments	35,000		0	
74				Cash Sureties				
76				<b>Subtotal</b>	<b>497,500</b>		<b>573,935</b>	
79				Contingency	0		0	
80				<b>Subtotal</b>	<b>0</b>		<b>0</b>	
81				<b>Total Op Exp (lines 15,21,26,45,56,65,76,80)</b>	<b>893,296</b>	<b>0</b>	<b>1,012,505</b>	

**Elm Creek Watershed Management Commission - 2019-2020 Operating Budget**

	A	B	C	D	AW	AX	AY	AZ
3					<b>2019 Budget</b>		<b>2020 Budget</b>	
82								
83	<b>Revenue</b>							
84	CIPs - Ad Valorem				462,500		448,935	\$423,323 adjusted for admin exp, levy shortfall
85	Grant Revenue						100,000	
86	Floodplain Modeling				46,386		39,360	
87	Project Review Fees				80,000		80,000	
88	Water Monitoring - TRPD Co-op Agmt				5,000		5,500	
89	BMP Implementation							
90	WCA Fees				5,000		0	
91	Forfeited/Reimbursed Sureties, Reimbursement from LGUs				4,000			
92	Membership Dues				230,400	3% increase	237,300	
93	Watershed-wide TMDL							
94	Interest Income				2,500		8,000	
95	Dividend Income				500		250	
96	Miscellaneous Income							
97								
98	<b>Total Operating Revenue (lines 84-97)</b>				<b>836,286</b>	<b>0</b>	<b>919,345</b>	
99	<b>Surplus (Deficit) (lines 81, 98)</b>				<b>57,010</b>	<b>0</b>	<b>93,160</b>	

**Elm Creek Watershed Management Commission  
2019 - 2020 Member Assessments**

2019	2018 Taxable Market Value	2019 Budget Share		Increase over Prev Year	
		%age	Dollars	%age	Dollars
Champlin	482,451,066	3.96%	9,131.64	6.26%	538
Corcoran	805,284,845	6.62%	15,242.10	3.94%	578
Dayton	657,235,681	5.40%	12,439.89	11.81%	1,314
Maple Grove	6,195,629,078	50.90%	117,268.32	0.50%	579
Medina	1,017,473,342	8.36%	19,258.32	2.56%	481
Plymouth	1,218,746,394	10.01%	23,067.93	5.34%	1,170
Rogers	1,795,887,426	14.75%	33,991.82	2.23%	741
<b>Totals</b>	<b>12,172,707,832</b>	<b>100.00%</b>	<b>230,400.00</b>	<b>2.40%</b>	<b>5,400</b>
2020	2019 Taxable Market Value	2019 Budget Share		Increase over Prev Year	
		%age	Dollars	%age	Dollars
Champlin	540,590,344	4.12%	9,768.39	6.97%	284
Corcoran	865,123,487	6.59%	15,632.66	2.56%	455
Dayton	749,481,401	5.71%	13,543.02	8.87%	394
Maple Grove	6,614,821,616	50.37%	119,528.89	1.93%	3,476
Medina	1,050,664,076	8.00%	18,985.35	-1.42%	552
Plymouth	1,418,363,351	10.80%	25,629.62	11.11%	745
Rogers	1,893,322,435	14.42%	34,212.07	0.65%	995
<b>Totals</b>	<b>13,132,366,710</b>	<b>100.00%</b>	<b>237,300.00</b>	<b>2.99%</b>	<b>6,900</b>

ELM CREEK WATERSHED  
MANAGEMENT COMMISSION

Financial Statements and  
Supplemental Information  
For the Year Ended  
December 31, 2018

ELM CREEK WATERSHED MANAGEMENT COMMISSION

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**JOHNSON & COMPANY, Ltd.**

Certified Public Accountants

Thomas J. Opliz, 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

**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, 2018, 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, 2018, 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.



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**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, 2017 and, in our report dated April 11, 2018, 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, 2017, from which such information was derived.

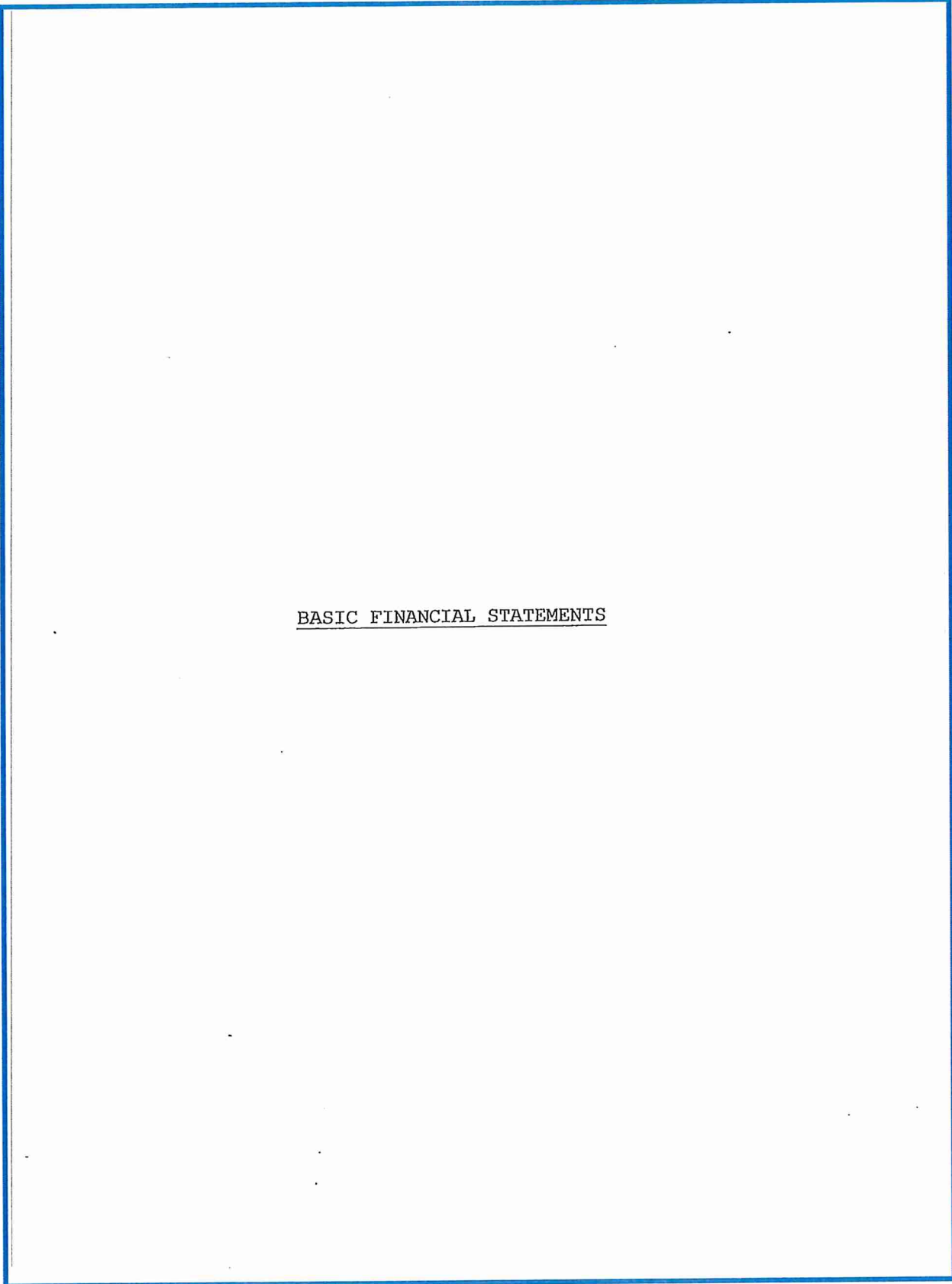
**Other Reporting**

We have also issued our report dated May 9, 2019, 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.

May 9, 2019





BASIC FINANCIAL STATEMENTS

Elm Creek Watershed Management Commission  
 Statement of Net Position and  
 Governmental Fund Balance Sheet  
 As of December 31, 2018  
 (with Partial Comparative Actual Amounts as of December 31, 2017)

	Governmental Activities	
	2018	2017
<b>Assets</b>		
Cash and investments	\$ 1,204,595	\$ 959,050
Restricted cash	98,444	150,571
Due from local governments	15,167	10,262
<b>Total assets</b>	<b>\$ 1,318,206</b>	<b>\$ 1,119,883</b>
<b>Liabilities and Fund Balances/Net Position</b>		
<b>Liabilities</b>		
Accounts payable	\$ 107,830	\$ 54,320
Financial and administrative guarantee fee deposits	30,000	150,571
Unearned revenue	68,444	-
<b>Total liabilities</b>	<b>206,274</b>	<b>204,891</b>
<b>Fund balances/net position</b>		
<b>Restricted fund balances/net position</b>		
Restricted for capital improvement projects	732,763	621,135
Restricted closed project funds	1,221	-
<b>Total restricted fund balance/net position</b>	<b>733,984</b>	<b>621,135</b>
<b>Assigned fund balances/net position</b>		
Assigned for capital projects, studies	175,297	143,832
Assigned for projects ineligible for ad valorem	50,000	-
Unrestricted/unassigned fund balances/net position	152,651	150,025
<b>Total assigned or unrestricted fund balances/net position</b>	<b>377,948</b>	<b>293,857</b>
<b>Total fund balances/net position</b>	<b>1,111,932</b>	<b>914,992</b>
<b>Total liabilities and fund balances/net position</b>	<b>\$ 1,318,206</b>	<b>\$ 1,119,883</b>

See notes to basic financial statements -3-

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, 2018  
 (with Partial Comparative Actual Amounts for the Year Ended December 31, 2017)

	Governmental Activities			
	2018		2017	
	Original and Final Budget	(Audited)	Over (Under)	(Audited)
<b>Revenue</b>				
<b>General</b>				
Member assessments	\$ 225,000	\$ 225,000	\$ -	\$ 219,700
Property taxes (ad valorem)	490,000	436,393	(53,607)	494,330
Charges for services - project and wetland review fees	90,000	79,488	(10,512)	85,114
Reimbursements	6,500	5,000	(1,500)	5,036
Grants	-	99,411	99,411	125,140
Interest income	1,000	18,381	17,381	5,921
<b>Total revenue</b>	<b>812,500</b>	<b>863,673</b>	<b>51,173</b>	<b>935,241</b>
<b>Expenditures</b>				
<b>Current</b>				
Administration	113,500	104,317	(9,183)	103,637
Education	21,500	13,443	(8,057)	21,336
Grant programs	-	27,631	27,631	212,076
Insurance	3,900	2,770	(1,130)	2,355
Professional fees	7,000	4,771	(2,229)	4,500
Technical support	107,000	145,916	38,916	111,571
Water monitoring	48,795	39,418	(9,377)	40,286
Watershed programs	108,750	-	(108,750)	668
Watershed plan	10,000	1,388	(8,612)	1,370
<b>Capital outlay</b>				
Improvement projects	490,000	327,079	(162,921)	6,244
<b>Total expenditures</b>	<b>910,445</b>	<b>666,733</b>	<b>(243,712)</b>	<b>504,043</b>
<b>Net change in fund balances/net position</b>	<b>\$ (97,945)</b>	<b>196,940</b>	<b>\$ 294,885</b>	<b>431,198</b>
<b>Net fund balances/net position</b>				
Beginning of year		914,992		483,794
End of year		<u>\$ 1,111,932</u>		<u>\$ 914,992</u>

See notes to basic financial statements

## Elm Creek Watershed Management Commission

Notes to Financial Statements  
December 31, 2018

## 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, 2018

**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, 2018

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, 2018.

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, 2018 and 2017.

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, 2018

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, 2017, 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.

Unearned Revenue

The Commission recognizes grant revenue as it becomes eligible to receive the grant. If the grant has restrictions that have not been satisfied, the revenue is deferred until the Commission has satisfied them.

In 2017, the Commission was awarded a grant of \$200,000 from the Board of Water and Soil Resources to fund the Fish Lake Internal Phosphorus Loading Control project. As of December 31, 2018, the Commission held \$1,201 of unearned grant revenue.

In 2018, the Commission was awarded a grant of \$134,486 from the Board of Water and Soil Resources to fund the Elm Creek Restoration Phase IV project. As of December 31, 2018, the Commission held \$67,243 of unearned grant revenue.

Elm Creek Watershed Management Commission  
Notes to Financial Statements (continued)  
December 31, 2018

NOTE 2 - ASSETS, LIABILITIES AND NET POSITION

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)

Investments

At December 31, 2018 and 2017, the Commission held \$1,303,039 and \$1,109,621 (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, 2018

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, 2018

**NOTE 2 - ASSETS, LIABILITIES AND NET POSITION (CONTINUED)**

**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 during the year ended December 31, 2017. This project was finalized and approved during 2017.

Elm Creek Watershed Management Commission  
Notes to Financial Statements (continued)  
December 31, 2018

NOTE 4 - COMMITMENTS AND CONTRACTS (CONTINUED)

Restricted fund balance - capital improvement projects

For the year 2015, the Commission received \$68,870 from tax levies that is to be used for the Tower Drive improvement project. As of December 31, 2018, the city of Medina has yet to complete the project. The Commission will hold the remaining funds of \$66,881 (less administrative costs) until completion.

For the year 2015, the Commission received \$62,652 from tax levies that is to be used for the Elm Creek Dam rehabilitation project. As of December 31, 2018, the Commission had expended all of the tax levies and the project was substantially complete.

For the year 2017, the Commission received \$80,255 from tax levies that is to be used for the Fox Creek Stream Bank Stabilization Phase Two Project. As of December 31, 2018, the City of Rogers has yet to complete the project. The Commission will hold the remaining funds of \$80,149 (less administrative costs) until completion.

For the year 2017, the Commission received \$74,929 from tax levies that is to be used for the Mississippi River Shoreline Repair and Stabilization Project. As of December 31, 2018, the Commission had expended all of the tax levies and the project was substantially complete.

For the year 2017, the Commission received \$187,500 from tax levies that is to be used for the Elm Creek Dam Rehabilitation Project. As of December 31, 2018, the Commission had expended all of the tax levies and the project was substantially complete.

For the year 2017, the Commission received \$74,951 from tax levies that is to be used for the Rush Creek Main Restoration Project. As of December 31, 2018, the City of Maple Grove has yet to complete the project. The Commission will hold the remaining funds of \$74,845 (less administrative costs) until completion.

For the year 2017, the Commission received \$74,951 from tax levies that is to be used for the Fish Lake Aluminum Treatment Project. As of December 31, 2018, the City of Maple Grove has yet to complete the project. The Commission will hold the remaining funds of \$74,845 (less administrative costs) until completion.

For the year 2018, the Commission received \$112,347 from tax levies that is to be used for the Fox Creek Phase Three Stabilization Project. As of December 31, 2018, the City of Rogers has yet to complete the project. The Commission will hold the remaining funds of \$112,211 (less administrative costs) until completion.

For the year 2018, the Commission received \$249,664 from tax levies that is to be used for the Mill Pond Fishery Restoration Project. As of December 31, 2018, the City of Champlin has yet to complete the project. The Commission will hold the remaining funds of \$249,528 (less administrative costs) until completion.

Elm Creek Watershed Management Commission  
Notes to Financial Statements (continued)  
December 31, 2018

NOTE 4 - COMMITMENTS AND CONTRACTS (CONTINUED)

Restricted fund balance - capital improvement projects (continued)

For the year 2018, the Commission received \$74,900 from tax levies that is to be used for the Rain Garden at Independence Avenue Project. As of December 31, 2018, the City of Champlin has yet to complete the project. The Commission will hold the remaining funds of \$74,764 (less administrative costs) until completion.

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 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 2018 and 2017, the Commission received \$80,000 and \$100,000, respectively, from BWSR and incurred costs of \$344 and \$178,455, respectively.

Rush Creek Headwaters Subwatersheds Assessment Project

During 2017, BWSR awarded \$50,280 to the Commission for the Rush Creek Headwaters Subwatersheds Assessment Project. The 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 2018 and 2017, the Commission received \$20,612 and \$25,140, respectively, from BWSR and incurred costs of \$27,286 and \$33,320, respectively.

Floodplain Modeling Project

During 2018, the Commissioner of Natural Resources awarded the Commission a cost reimbursement grant of up to \$92,773. The grant is for updates to the Special Flood Hazard Areas shown on the FEMA Floodplain maps that are located within the watershed. The total project costs are budgeted for \$92,773 with no match required by the Commission.

During 2018, the Commission incurred \$7,027 of direct project costs.

Watershed Based Funding Grant

During 2018, BWSR awarded \$134,486 to the Commission for streambank and shoreline restoration and protection on Elm Creek. Total project costs are expected to be \$584,486. The Commission is to provide \$150,000 via the 2020 levy and the City of Champlin is to provide \$300,000.

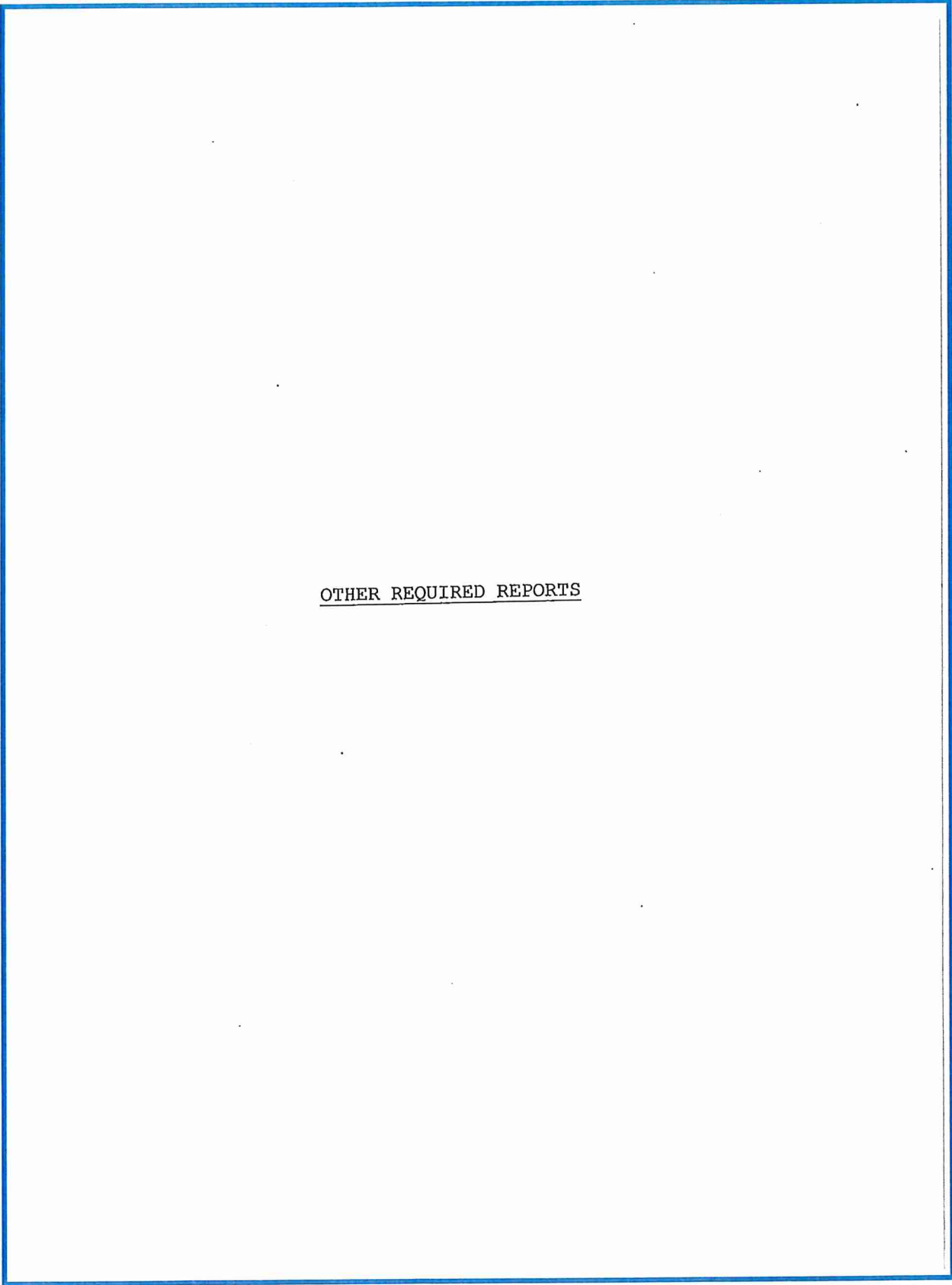
During 2018, the Commission received \$67,243 of the grant and incurred zero costs.

Elm Creek Watershed Management Commission  
Notes to Financial Statements (continued)  
December 31, 2018

NOTE 5 - MEMBERS' ASSESSMENTS

Dues received from members were as follows:

	For Year Ended December 31			
	2018		2017	
	Amount	Percentage	Amount	Percentage
Champlin	\$ 8,594	3.82 %	\$ 8,458	3.85 %
Corcoran	14,664	6.52	14,624	6.66
Dayton	11,126	4.94	10,333	4.70
Maple Grove	116,690	51.86	116,455	53.01
Medina	18,777	8.35	18,362	8.36
Plymouth	21,898	9.73	18,664	8.50
Rogers	33,251	14.77	32,804	14.92
Total	<u>\$ 225,000</u>	<u>100.00 %</u>	<u>\$ 219,700</u>	<u>100.00 %</u>



OTHER REQUIRED REPORTS

**JOHNSON & COMPANY, Ltd.**

Certified Public Accountants

Thomas J. Opltz, 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

Dwaine C. Johnson (Retired)  
 Lisa M. Roden, CPA, MST  
 Brad R. Cohrs, 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, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated May 9, 2019.

**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.

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**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

May 9, 2019



**JOHNSON & COMPANY, Ltd.**

Certified Public Accountants

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

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

Dwaine C. Johnson (Retired)  
 Lisa M. Roden, CPA, MST  
 Brad R. Cohrs, CPA

**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, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated May 9, 2019.

**MINNESOTA LEGAL COMPLIANCE**

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.

**PURPOSE OF THIS REPORT**

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.

*Johnson & Company, Ltd.*

May 9, 2019

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