

**ELM CREEK WATERSHED  
MANAGEMENT COMMISSION**

**Financial Statements and  
Supplemental Information  
For the Year Ended  
December 31, 2020**

ELM CREEK WATERSHED MANAGEMENT COMMISSION

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Brad R. Cohrs, CPA  
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### **INDEPENDENT AUDITORS' REPORT**

Commissioners  
Elm Creek Watershed Management Commission  
Plymouth, Minnesota

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of the Elm Creek Watershed Management Commission (the Commission), as of and for the year ended December 31, 2020, 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 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, 2020, 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**

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the 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. Our opinion on the basic financial statements is not affected by this missing information.

### **Prior Year Comparative Information**

We have previously audited the Commission's financial statements for the year ended December 31, 2019 and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund in our report dated June 10, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting**

We have also issued our report dated June 10, 2021, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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.*

June 10, 2021

BASIC FINANCIAL STATEMENTS

Elm Creek Watershed Management Commission

Statement of Net Position and  
Governmental Fund Balance Sheet

As of December 31, 2020

(with Partial Comparative Actual Amounts as of December 31, 2019)

	Governmental Activities	
	2020	2019
<b>Assets</b>		
Cash and temporary investments	\$ 1,231,058	\$ 1,185,127
Restricted cash	76,351	78,737
Due from other governments	52,193	114,038
<b>Total assets</b>	<b>\$ 1,359,602</b>	<b>\$ 1,377,902</b>
<b>Liabilities and Fund Balances/Net Position</b>		
<b>Liabilities</b>		
Accounts payable	\$ 101,811	\$ 122,084
Financial and administrative guarantee fee deposits	9,108	11,494
Unearned revenue	67,243	67,243
<b>Total liabilities</b>	<b>178,162</b>	<b>200,821</b>
<b>Fund balances/net position</b>		
Restricted fund balances/net position		
Restricted for capital improvement projects	729,149	763,789
Restricted closed project funds	16,217	1,342
<b>Total restricted fund balance/net position</b>	<b>745,366</b>	<b>765,131</b>
Assigned fund balances/net position		
Assigned for capital projects, studies	187,134	205,437
Unrestricted/unassigned fund balances/net position	248,940	206,513
<b>Total assigned or unrestricted fund balances/net position</b>	<b>436,074</b>	<b>411,950</b>
<b>Total fund balances/net position</b>	<b>1,181,440</b>	<b>1,177,081</b>
<b>Total liabilities and fund balances/net position</b>	<b>\$ 1,359,602</b>	<b>\$ 1,377,902</b>

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, 2020

(with Partial Comparative Actual Amounts for the Year Ended December 31, 2019)

	Governmental Activities			
	2020			2019
	Original and Final Budget	(Audited)	Over (Under)	(Audited)
<b>Revenue</b>				
<b>General</b>				
Member assessments	\$ 237,300	\$ 237,300	\$ -	\$ 230,400
Property taxes (ad valorem)	448,935	295,954	(152,981)	458,032
Charges for services - project and wetland review fees	80,000	101,374	21,374	60,826
Reimbursements	44,860	4,808	(40,052)	67,804
Grants	100,000	83,452	(16,548)	45,028
Interest income	8,250	5,339	(2,911)	26,407
<b>Total revenue</b>	<b>919,345</b>	<b>728,227</b>	<b>(191,118)</b>	<b>888,497</b>
<b>Expenditures</b>				
<b>Current</b>				
Administration	109,300	112,490	3,190	106,042
Education	21,500	8,535	(12,965)	14,493
Grant programs	125,000	85,043	(39,957)	124,092
Insurance	3,900	3,182	(718)	2,661
Professional fees	7,000	6,419	(581)	6,350
Technical support	200,000	134,306	(65,694)	95,419
Water monitoring	50,010	38,462	(11,548)	40,348
Watershed programs	44,860	15,000	(29,860)	-
Watershed plan	2,000	1,410	(590)	1,396
<b>Capital outlay</b>				
Improvement projects	448,935	319,021	(129,914)	432,547
<b>Total expenditures</b>	<b>1,012,505</b>	<b>723,868</b>	<b>(288,637)</b>	<b>823,348</b>
<b>Net change in fund balances/net position</b>	<b>\$ (93,160)</b>	<b>4,359</b>	<b>\$ 97,519</b>	<b>65,149</b>
<b>Net fund balances/net position</b>				
Beginning of year		1,177,081		1,111,932
End of year		\$ 1,181,440		\$ 1,177,081

Elm Creek Watershed Management Commission

Notes to Financial Statements  
December 31, 2020

**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, 2020

**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, 2020

**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 taxable 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, 2020.

**Due from local governments**

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, 2020 and 2019.

**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, 2020

**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, 2019, 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.

**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)

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)  
December 31, 2020

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

**Investments**

At December 31, 2020 and 2019, the Commission held \$1,307,409 and \$1,263,864 (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.

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.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)  
December 31, 2020

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

**Investments (continued)**

**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.

**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.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)  
December 31, 2020

**NOTE 4 – COMMITMENTS AND CONTRACTS**

**Restricted fund balance – capital improvement projects**

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, 2020, the City of Rogers has yet to complete the project. The Commission will hold the remaining funds of \$79,455 (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, 2020, the City of Rogers has yet to complete the project. The Commission will hold the remaining funds of \$112,269 (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, 2020, the Commission had expended all of the tax levies and the project was substantially complete.

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, 2020, the City of Champlin has yet to complete the project. The Commission will hold the remaining funds of \$74,802 (less administrative costs) until completion.

For the year 2019, the Commission received \$74,932 from tax levies that is to be used for the Rush Creek Main Stem Stream Stabilization Phase Three Project. As of December 31, 2020, the City of Maple Grove has yet to complete the project. The Commission will hold the remaining funds of \$74,817 (less administrative costs) until completion.

For the year 2019, the Commission received \$99,911 from tax levies that is to be used for the Elm Creek Stream Phase Three Restoration Project. As of December 31, 2020, the City of Champlin has yet to complete the project. The Commission will hold the remaining funds of \$99,796 (less administrative costs) until completion.

For the year 2019, the Commission received \$74,932 from tax levies that is to be used for the Downs Road Trail Rain Garden Project. As of December 31, 2020, the City of Champlin has yet to complete the project. The Commission will hold the remaining funds of \$74,817 (less administrative costs) until completion.

For the year 2020, the Commission received \$26,513 from tax levies that is to be used for the Rush Creek Main Stem Phase Three Project. As of December 31, 2020, the City of Maple Grove has yet to complete the project. The Commission will hold the remaining funds of \$26,444 (less administrative costs) until completion.

For the year 2020, the Commission received \$28,079 from tax levies that is to be used for the Downtown Regional Stormwater Pond Project. As of December 31, 2020, the City of Corcoran has yet to complete the project. The Commission will hold the remaining funds of \$28,013 (less administrative costs) until completion.

For the year 2020, the Commission received \$159,283 from tax levies that is to be used for the Elm Creek Stream Restoration Phase Four Project. As of December 31, 2020, the City of Champlin has yet to complete the project. The Commission will hold the remaining funds of \$159,180 (less administrative costs) until completion.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)  
December 31, 2020

**NOTE 4 – COMMITMENTS AND CONTRACTS (CONTINUED)**

**Restricted fund balance - closed project funds**

At December 31, 2020 and 2019, the Commission retained unspent funds collected through tax levies that exceeded the project costs and administrative fees totaling \$16,217 and \$1,342, respectively. The use of those funds is restricted for other capital improvement projects.

**Grants**

**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.

In February of 2021, the Commission received an amendment increasing the grant amount to \$108,773.

As of December 31, 2020, the Commission had received \$58,247 of the grant funds and incurred direct project costs of \$83,453. As of December 31, 2020 and 2019, \$25,205 and \$3,565, respectively, was receivable from local governments.

**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. There was no activity on this project during 2019 or 2020. The Commission expects to complete this project and expend the grant amount by December 31, 2021.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)  
December 31, 2020

**NOTE 5 – MEMBERS’ ASSESSMENTS**

Dues received from members were as follows:

	For Year Ended December 31			
	2020		2019	
	Amount	Percentage	Amount	Percentage
Champlin	\$ 9,768	4.12 %	\$ 9,132	3.96 %
Corcoran	15,633	6.59	15,242	6.62
Dayton	13,543	5.71	12,440	5.40
Maple Grove	119,529	50.37	117,268	50.90
Medina	18,985	8.00	19,258	8.36
Plymouth	25,630	10.80	23,068	10.01
Rogers	34,212	14.41	33,992	14.74
Total	<u>\$ 237,300</u>	<u>100.00 %</u>	<u>\$ 230,400</u>	<u>100.00 %</u>



OTHER REQUIRED REPORTS

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

MEMBER  
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Kristi K. Boisclair, 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, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 10, 2021.

**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.

June 10, 2021

Thomas J. Opitz, CPA  
Bridget K. McKelvey, CPA, MBT  
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  
Kristi K. Boisclair, 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, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 10, 2021.

### MINNESOTA LEGAL COMPLIANCE

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 deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions section of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes S6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

### 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.*

June 10, 2021

