

Elm Creek Watershed Management Commission
2009 Budget by Project Area

	A	B	C	D	E	F	G
1					2008	2009	
2					Adopted	Adopted	
3							
4	General						
5				Membership Dues	175,000	180,000	
6				Interest Income	7,500	12,000	
7				Miscellaneous Income	0	0	
8				Administrative	76,500	77,500	
9				Website	10,000	10,000	
10				Legal Services	2,000	2,000	
11				Audit	5,000	5,000	
12				Insurance	4,500	4,500	
13				Miscellaneous	1,000	1,000	
14				Total General	83,500	92,000	
15	Project Reviews						
16				Project Review Fees	65,000	40,000	
17				Technical - HCES	67,000	62,000	HCES
18				Technical Support - Consultant	30,000	15,000	
19				Admin Support	20,000	10,000	
20				Total Project Reviews	122,000	127,000	
21	Wetland Conservation Act						
22				WCA Fees	6,000	6,000	
23				Forfeited sureties	0	0	
24				WCA Expense - Technical	10,250	10,250	HCES
25				WCA Expense - Legal	500	500	
26				WCA Expense - Admin	4,000	4,000	
27				Total Wetland Conserva Act	20,750	20,750	
28	Water Monitoring						
29				Water Monitoring - Three Rivers Parks Co-op Agreement	2,600	2,600	
30				Stream Monitoring	15,830	16,000	
31				Gauging Station - Elec Bill	150	150	
32				Lake Monitoring	4,620	5,010	
33				Macroinvertebrate Monitoring - Henn Co	6,000	6,000	
34				Rain Gauge Network	1,000	1,200	
35				Wetland Monitoring - WHEP	3,200	3,200	
36				Stream Health (SHEP)	6,000	6,000	
37				Total Water Monitoring	49,300	50,160	
38	Education/Training						
39				Education and Training	2,000	1,000	BMP Implementation
40				Survey	0	0	
41				Rain Garden Workshop	0	2,000	
42				Education Grants	5,000	2,000	
43				Total Education/Training	7,000	5,000	
44	CWLA Grant						
45				CWLA Grant	54,360	0	
46				Administration	5,250	0	
47				Water Monitoring	1,580	0	
48				Vol Coordinator	7,500	0	
49				Other - TRPD	23,795	0	
50				Other - HCES	100	0	
51				Other - Eopt	0	0	
52				Total CWLA Grant	92,585	0	
53	Special Projects						
54				Special Projects	5,000	0	
55				TMDLs	0	10,000	
56				Total Special Projects	5,000	10,000	
57	Second Gen Plan - Local Plans/Major Plan Amendment						
58				Revenue	0	0	
59				Expense	10,000	10,000	
60				Total 2nd Genera Plan/ MPA	10,000	10,000	
61	Capital Improvement Projects						
62				Capital Project Funding	0	0	
63				Capital Project Expense	20,000	10,000	
64				Total CIPs	20,000	10,000	
65	Contingency						
66				Revenue	0	0	
67				Expense	1,840	2,000	
68				Total Contingency	1,840	2,000	
69							
70				Operating Fund Surplus (Deficit) To (From) Cash Reserves	(88,155)	(86,710)	
71							
72							CWLA related
73							

**Elm Creek Watershed Management Commission
2009 Member Assessments**

2008	2007 Taxable Market Value	2008 Budget Share		Increase over Prev Year	
		%age	Dollars	%age	Dollars
Champlin	565,356,900	5.06%	8,853.24	-9.5	-929.36
Corcoran	813,036,700	7.28%	12,731.80	12.93%	1,457.41
Dayton	557,964,200	4.99%	8,737.48	44.00%	38.15
Hassan	533,347,500	4.77%	8,351.99	8.59%	660.92
Maple Grove	6,149,574,000	55.03%	96,299.66	3.48%	3,234.14
Medina	731,145,700	6.54%	11,449.42	5.28%	573.87
Plymouth	606,055,700	5.42%	9,490.57	24.00%	22.34
Rogers	1,218,796,900	10.91%	19,085.83	-30.00%	-57.47
Totals	11,175,277,600	100.00%	175,000.00	2.94%	5,000.00
2009	2008 Taxable Market Value	2009 Budget Share		Increase over Prev Year	
		%age	Dollars	%age	Dollars
Champlin	551,900,300	4.98%	8,964.35	1.25%	111.11
Corcoran	828,217,000	7.47%	13,452.48	5.66%	720.68
Dayton	580,864,500	5.24%	9,434.81	7.98%	697.33
Hassan	537,389,200	4.85%	8,728.65	4.51%	376.66
Maple Grove	5,833,326,300	52.64%	94,748.98	-1.61%	-1,550.68
Medina	824,215,400	7.44%	13,387.48	16.93%	1,938.06
Plymouth	650,196,100	5.87%	10,560.94	11.28%	1,070.37
Rogers	1,275,791,400	11.51%	20,722.30	8.57%	1,636.47
Totals	11,081,900,200	100.00%	180,000.00	2.86%	5,000.00

ELM CREEK WATERSHED
MANAGEMENT COMMISSION

Annual Financial Report
Year Ended
December 31, 2009

ELM CREEK WATERSHED MANAGEMENT COMMISSION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Elm Creek Watershed Management Commission
Plymouth, Minnesota

We have audited the accompanying financial statements of the governmental activities and major fund of the Elm Creek Watershed Management Commission (the Commission), as of and for the year ended December 31, 2009, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the Commission as of December 31, 2009, and the respective changes in the financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Johnson + Company, Ltd.

April 1, 2010



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BASIC FINANCIAL STATEMENTS

Elm Creek Watershed Management Commission

Statement of Net Assets and Balance Sheet

General Fund

As of December 31, 2009

(with Comparative Actual Amounts as of December 31, 2008)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Assets		
Current assets		
Investments	\$ 308,893	\$ 289,936
Accounts receivable	8,280	3,525
	<u> </u>	<u> </u>
Total assets	<u>\$ 317,173</u>	<u>\$ 293,461</u>
Liabilities and Fund Balances/Net Assets		
Current liabilities		
Accounts payable	\$ 16,764	\$ 26,126
Fund balances/net assets		
Reserved fund balance	45,650	41,378
Unreserved/unrestricted	254,759	225,957
Total fund balances	<u>300,409</u>	<u>267,335</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances/net assets	<u>\$ 317,173</u>	<u>\$ 293,461</u>

See notes to financial statements

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Elm Creek Watershed Management Commission

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

Year Ended December 31, 2009

(with Comparative Actual Amounts for the Year Ended December 31, 2008)

	Governmental Activities			
	2009		2008	
	Original and Final Budget	(Audited)	Over (Under)	(Audited)
Program/project expenditures/expenses				
Invertebrate monitoring	\$ 6,000	\$ 6,000	\$ -	\$ 6,000
Lakes monitoring	5,010	16,710	11,700	4,250
Stream monitoring	16,000	19,793	3,793	11,697
Rain gauge	1,350	392	(958)	235
Wetland monitoring	3,200	2,200	(1,000)	3,200
Project reviews	87,000	39,349	(47,651)	52,185
Elm Creek TMDL	10,000	2,545	(7,455)	4,328
Miss Bacteria TMDL	-	92	92	-
Capital improvement projects	10,000	-	(10,000)	-
Second generation plan	-	2,453	2,453	-
Plan amendment	10,000	-	(10,000)	6,010
Stream health evaluation	6,000	6,000	-	6,000
Watershed management plan	-	9,319	9,319	8,476
CWLA grant	-	10,014	10,014	38,687
WCA - administration	4,500	962	(3,538)	2,520
WCA - technical services	10,250	5,259	(4,991)	6,300
Total program/project expenses	169,310	121,088	(48,222)	149,888
Program/project revenue				
Membership dues	180,000	180,000	-	175,000
WCA administration fees	6,000	1,700	(4,300)	900
Project reviews	40,000	26,500	(13,500)	19,500
Water monitoring - lakes and streams	2,600	3,630	1,030	3,525
Watershed - TMDL	-	15,730	15,730	-
CWLA grant	-	17,163	17,163	72,197
Total program/project revenue	228,600	244,723	16,123	271,122
Net program/project revenue	59,290	123,635	64,345	121,234
General expenditures/expenses				
Administration	77,500	75,533	(1,967)	67,853
Insurance	4,500	2,648	(1,852)	3,483
Legal and audit services	7,000	5,192	(1,808)	4,759
Web site	10,000	4,805	(5,195)	4,400
Education and training	5,000	7,652	2,652	7,376
Contingency	2,000	-	(2,000)	-
Miscellaneous	1,000	-	(1,000)	-
Total general expenses	107,000	95,830	(11,170)	87,871
General revenue				
Interest and dividend income	12,000	997	(11,003)	7,708
Total general revenue	12,000	997	(11,003)	7,708
Net general revenue (expenses)	(95,000)	(94,833)	167	(80,163)
Change in net assets/fund balance	\$ (35,710)	28,802	\$ 64,512	41,071
Fund balance - unreserved/unrestricted				
Fund balance - beginning of year		225,957		184,886
Fund balance - end of year		\$ 254,759		\$ 225,957

See notes to financial statements

Elm Creek Watershed Management Commission

Notes to Financial Statements
December 31, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Reporting Entity

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

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

Entity-Wide Financial Statement Presentation

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

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statement Presentation

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

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

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

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

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

Budgets

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

Use of estimates

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

Members' contributions

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

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2009

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.

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, 2009 and 2008.

NOTE 2 - CASH AND INVESTMENTS

A. Deposits

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

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

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

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

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

B. Investments

At December 31, 2009 and 2008, the Commission held \$308,893 and \$289,936 (approximate cost and fair market value), respectively, in investments with MBIA in Minnesota 4M Holdings.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2009

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

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

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

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

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

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)

December 31, 2009

NOTE 3 - RESERVED AND UNRESERVED FUNDS

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

Reserved funds are comprised of the following:

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

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

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

NOTE 4 - LETTERS OF CREDIT

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

Doboszewski & Sons - Project 2006-002	\$50,000
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NOTE 5 - COMMITMENTS AND CONTRACTS

Hennepin County (the County)

The Commission agrees to purchase technical services during 2010 from the County at a cost of the lesser of \$72,250 or 90% of the actual wages paid by the County. The contract also allows for the Commission to pay up to \$6,000 for the Riverwatch Program, up to \$3,200 for wetland monitoring and up to \$6,000 for stream monitoring.

State of Minnesota - Clean Water Legacy Surface Water Assessment Grant

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

The Commission received grant money of \$72,197 in 2008 and \$17,163 in 2009. This project was completed in 2009.

U.S. Geological Survey

The Commission and the U.S. Geological Survey each agree to pay \$16,735 of the costs associated with the operation and maintenance of the gaging station and water sampling on Elm Creek for the period of October 1, 2009 through September 30, 2010.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2009

NOTE 5 - COMMITMENTS AND CONTRACTS (CONTINUED)

Minnesota Pollution Control Agency (MNPCA) - Watershed-wide TMDL Project

During 2009, the MNPCA 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 to add additional funds of \$148,000 for the next phase. During 2009, the Commission received \$15,730 from the MNPCA on this project.

NOTE 6 - MEMBERS' DUES

Dues received from members were as follows:

	For Year Ended December 31			
	2009		2008	
	Amount	Percentage	Amount	Percentage
Champlin	\$ 8,964	4.98 %	\$ 8,853	5.06 %
Corcoran	13,452	7.47	12,732	7.28
Dayton	9,435	5.24	8,737	4.99
Hassan	8,729	4.85	8,352	4.77
Maple Grove	94,749	52.64	96,300	55.03
Medina	13,387	7.44	11,449	6.54
Plymouth	10,561	5.87	9,491	5.42
Rogers	20,722	11.51	19,086	10.91
Total	<u>\$180,000</u>	<u>100.00 %</u>	<u>\$175,000</u>	<u>100.00 %</u>

OTHER REQUIRED REPORTS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

Board of Directors
Elm Creek Watershed Management Commission
Plymouth, MN

In planning and performing our audit of the financial statements of the Elm Creek Watershed Management Commission as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

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

Johnson & Company, Ltd.

April 1, 2010



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

Board of Directors
Elm Creek Watershed Management Commission
Plymouth, Minnesota

We have audited the financial statements of the governmental activities and major fund of the Elm Creek Watershed Management Commission (the Commission) as of and for the year ended December 31, 2009, which collectively comprise the Commission's basic financial statements, and have issued our report thereon April 1, 2010.

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

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

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

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

Johnson & Company, Ltd.

April 1, 2010

