

Elm Creek Watershed Management Commission

2011 Operating Budget - Approved May 12, 2010

	A	B	C	D	Q	R	S	T	U
1					2009 Budget	2009 Final	2010 Budget	2010 Budget Revised	2011 Approved
2	Expenses								
3		Administrative			76,000	75,533	77,500	77,500	78,500
4		Website			10,000	4,805	7,500	7,500	7,500
5		Legal Services			2,000	692	1,500	1,500	1,500
6		Audit			5,000	4,500	4,500	4,500	5,000
7		Insurance			4,500	3,077	4,000	4,000	4,000
8		Miscellaneous			1,000	0	1,000	500	1,000
9		Project Reviews							
10		Technical - HCES			62,000	32,200	63,000	63,000	63,000
11		Technical Support - Consultant			15,000	198	15,000	7,000	7,000
12		Admin Support			10,000	6,952	10,000	10,000	10,000
13		Wetland Conservation Act							
14		WCA Expense - HCES			10,250	5,259	9,250	9,250	9,250
15		WCA Expense - Legal			500	70	750	750	500
16		WCA Expense - Admin			4,000	892	3,500	3,500	3,000
17		Water Monitoring							
18		Stream Monitoring - USGS			16,000	19,793	16,000	16,000	17,500
19		Stream Monitoring - TRPD			0	0	0	0	
20		Gauging Station - Elec Bill			150	108	150	150	150
21		Lake Monitoring - CAMP			5,010	210	1,650	1,650	1,650
22		Lake Monitoring - TRPD				0	3,400	3,400	3,400
23		Macroinvertebrate Monitoring-River Watch			6,000	6,000	6,400	6,400	6,000
24		Rain Gauge Network			1,200	284	2,000	1,500	1,000
25		Wetland Monitoring - WHEP			3,200	2,200	4,000	4,000	4,000
26		Stream Health (SHEP)			6,000	6,000	6,000	6,000	6,000
27		Education							
28		Education - city/citizen programs			1,000	5,652	5,000	4,500	7,500
29		Survey			0	0	0	0	0
30		Rain Garden Workshop			2,000	2,000	2,000	2,000	2,500
31		Education Grants			2,000	0	2,000	1,000	2,000
36		CWLA Grant			0	10,014	0	0	0

Elm Creek Watershed Management Commission

2011 Operating Budget - Approved May 12, 2010

	A	B	C	D	Q	R	S	T	U
1					2009 Budget	2009 Final	2010 Budget	2010 Budget Revised	2011 Approved
37				Special Projects					
38				Special Projects - general	0	0	5,000	3,000	5,000
39				Miss Bacteria TMDL	0	92	0	0	100
40				Activities - Channel Study	0	0	0	0	0
41				Activities - Watershed-wide TMDL	0	0	0	0	0
42				Watershed-wide TMDL (see summary below)					
43				Commission contribution	10,000	2,545	15,000	15,000	10,000
44							20,000	20,000	
45				TRPD/Commission Co-op Agreement	0	16,500	101,000	101,000	77,000
46				Administration	1,500		2,000	2,000	2,000
49				Third Gen Management Plan/Plan Amendment	10,000	11,772	10,000	0	15,000
50				CIPs/Studies/Project Identification	10,000	0			10,000
51				Contingency	2,000	0	3,600	3,600	3,600
52				Total Expenses	276,310	217,347	402,700	380,200	364,650
53				Revenue					
54				Project Review Fees	40,000	26,500	27,000	25,000	35,000
55				Water Monitoring - TRPD Co-op Agmt	2,600	3,630	3,500	3,500	4,000
56				BMP Implementation	0	0	0	0	0
57				WCA Fees	6,000	1,700	2,000	2,000	2,000
58				Forfeited sureties	0	0	0	0	0
59				Capital Project Funding	0	0	0	0	0
60				Membership Dues	180,000	180,000	180,000	180,000	188,000
61				Interest Income	12,000	1,426	2,000	2,000	1,500
62				CWLA Grant	0	17,163	0	0	0
63				Watershed-wide TMDL - MPCA	0	15,730	101,000	101,000	77,000
64				Miscellaneous Income	0	0	0	0	0
66				Total Revenue	240,600	246,149	315,500	313,500	307,500
67									
68				Op Fund Surplus (Deficit) To (From) Cash Reserves	35,710	28,802	87,200	66,700	57,150
69									

Elm Creek Watershed Management Commission
 Member Assessments - 2011 Approved Operating Budget

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	-0.64%	111.11
Corcoran	828,217,000	7.47%	13,452.48	1.21%	720.68
Dayton	580,864,500	5.24%	9,434.81	-0.64%	697.33
Hassan	537,389,200	4.85%	8,728.65	-0.64%	376.66
Maple Grove	5,833,326,300	52.64%	94,748.98	-0.64%	-1,550.68
Medina	824,215,400	7.44%	13,387.48	-0.64%	1,938.06
Plymouth	650,196,100	5.87%	10,560.94	-0.64%	1,070.37
Rogers	1,275,791,400	11.51%	20,722.30	4.00%	1,636.47
Totals	11,081,900,200	100.00%	180,000.00	2.86%	5,000.00
2010	2009 Taxable Market Value	2010 Budget Share		Increase over Prev Year	
		%age	Dollars	%age	Dollars
Champlin	523,805,500	4.78%	8,600.55	-4.06%	-363.8
Corcoran	772,067,800	7.04%	12,676.86	-5.77%	-775.62
Dayton	569,842,400	5.20%	9,356.45	-0.83%	-78.36
Hassan	506,127,000	4.62%	8,310.28	-4.79%	-418.37
Maple Grove	5,907,276,800	53.89%	96,993.70	2.37%	2,244.72
Medina	841,805,700	7.68%	13,821.91	3.25%	434.42
Plymouth	662,359,500	6.04%	10,875.52	2.98%	314.58
Rogers	1,179,384,700	10.76%	19,364.74	-6.55%	-1,357.56
Totals	10,962,669,400	100.00%	180,000.00	0.00%	0
2011	2010 Taxable Market Value	2011 Budget Share		Change over Prev Year	
		%age	Dollars	%age	Dollars
Champlin	488,685,600	4.75%	8,932.76	3.86%	332.21
Corcoran	704,789,600	6.85%	12,882.95	1.63%	206.09
Dayton	528,922,900	5.14%	9,668.26	3.33%	311.81
Hassan	406,303,500	3.95%	7,426.88	-10.63%	-883.40
Maple Grove	5,613,392,300	54.58%	102,608.03	5.79%	5,614.33
Medina	830,631,900	8.08%	15,183.24	9.85%	1,361.33
Plymouth	631,150,100	6.14%	11,536.89	6.08%	661.37
Rogers	1,081,067,600	10.51%	19,760.99	2.05%	396.25
Totals	10,284,943,500	100.00%	188,000.00	4.444%	7,999.99

Elm Creek Watershed Management Commission
2010 Operating Budget

	A	B	C	D	N	O	P	Q	R
1					2007	2008	2008	2009	2010
2					Final	Budget	Final	Budget	Budget
3	Expenses								
4		Administrative			75,080	0	67,853	76,000	77,500
5		Website			4,832	0	4,400	10,000	7,500
6		Legal Services			1,134	0	259	2,000	1,500
7		Audit			4,500	0	4,500	5,000	4,500
8		Insurance			3,657	0	3,483	4,500	4,000
9		Miscellaneous			787	1,000	0	1,000	1,000
10		Project Reviews							
11		Technical - HCES			46,382	0	42,000	62,000	63,000
12		Technical Support - Consultant			4,942	0	2,322	15,000	15,000
13		Admin Support			8,664	0	7,863	10,000	10,000
14		Wetland Conservation Act							
15		WCA Expense - HCES			7,058	0	6,300	10,250	9,250
16		WCA Expense - Legal			0	0	518	500	750
17		WCA Expense - Admin			4,710	0	2,002	4,000	3,500
18		Water Monitoring							
19		Stream Monitoring			15,718	0	11,697	16,000	16,000
20		Gauging Station - Elec Bill			110	0	105	150	150
21		Lake Monitoring			4,170	0	4,250	5,010	5,050
23		Macroinvertebrate Monitoring - River Watch			0	0	6,000	6,000	6,400
24		Rain Gauge Network			1,253	0	131	1,200	2,000
25		Wetland Monitoring - WHEP			0	0	3,200	3,200	4,000
26		Stream Health (SHEP)			0	0	6,000	6,000	6,000
27		Education/Training			400	0	5,376	1,000	5,000
28		Survey			0	0	0	0	0
29		Rain Garden Workshop					1,000	2,000	2,000
30		Education Grants			0	0	1,000	2,000	2,000
31		Stormwater Studies/Programs- Channel Study			2,351				
32		Channel Study - Admin			7,865	0		0	0
33		Channel Study Review			3,561	0		0	0
34		Channel Study Amendments			1,932	0		0	0
35		CWLA Grant							
36		Adminstration			4,235	0	2,089	0	0
37		Water Monitoring				0	5,507	0	0
38		Vol Coordinator			7,937	0	5,625	0	0
39		Other - TRPD				0	25,466	0	0
40		Other - HCES			0	0	0	0	0
41		Other - Eqpt			11,139	0	0	0	0
42		Special Projects			0	0			5,000
43		TMDL					4,328	10,000	35,000
44		TRPD/Commission Cooperative Agreement							101,000
45		Administration						1,500	2,000
46		Flood Map Digitization			6,499	0		0	
47		Next Gen Plan - Local Plans/ Plan Amendment			12,249	0	14,486	10,000	10,000
48		Capital Improvement Studies/Projects			0	0		10,000	
49		Contingency			0	0		2,000	3,600
50		Total Expenses			241,165	1,000	237,760	276,310	402,700
51	Revenue								
52		Project Review Fees			46,200	0	19,500	40,000	27,000
53		Water Monitoring - Three Rivers Pks share			2,389	0	3,525	2,600	3,500
54		BMP Implementation							
55		WCA Fees			6,100	0	900	6,000	2,000
56		Capital Project Funding							
57		Membership Dues			0	0	175,000	180,000	180,000
58		Interest Income			17,278	0	7,708	12,000	2,000
59		CWLA Grant				0	72,197	0	
60		Watershed-wide TMDL - MPCA							101,000
61		Miscellaneous Income			0	0		0	0
62		From Cash Reserves							
63		Total Revenue			71,967	0	278,830	240,600	315,500
64		Operating Fund Surplus (Deficit) To (From) Cash Reserves			169,198	1,000	41,070	35,710	87,200
65		Total Fund Balance, Beginning of Year*			193,683		184,886		
66		Total Fund Balance, End of Year*			184,886		225,956		
67		Encumbered Funds - WCA (accum) (cash)			39,671		41,378		
68		Total All Funds, including Escrows and Sureties			224,557		267,334	231,624	144,424
69		*not including escrows and sureties							

Elm Creek Watershed Management Commission
Member Assessments - 2010 Operating Budget

2007	2006 Taxable Market Value	2007 Budget Share		Increase over Prev Year	
		%age	Dollars	%age	Dollars
Champlin	562,148,400	5.75%	9,782.60	32.70%	2,410.82
Corcoran	647,873,040	6.63%	11,274.39	12.83%	1,281.74
Dayton	499,899,200	5.12%	8,699.33	28.67%	1,938.40
Hassan	441,960,600	4.52%	7,691.07	26.94%	1,632.30
Maple Grove	5,347,929,300	54.74%	93,065.53	-0.99%	-929.25
Medina	624,954,500	6.40%	10,875.56	32.74%	2,682.72
Plymouth	544,083,800	5.57%	9,468.23	22.10%	1,713.44
Rogers	1,100,052,900	11.26%	19,143.30	37.98%	5,269.83
Totals	9,768,901,740	100.00%	170,000.00	10.39%	16,000.00
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	-9.50%	-929.35
Corcoran	813,036,700	7.28%	12,731.80	12.93%	1,457.41
Dayton	557,964,200	4.99%	8,737.48	0.44%	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	0.24%	22.34
Rogers	1,218,796,900	10.91%	19,085.83	-0.30%	-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	-0.64%	111.11
Corcoran	828,217,000	7.47%	13,452.48	1.21%	720.68
Dayton	580,864,500	5.24%	9,434.81	-0.64%	697.33
Hassan	537,389,200	4.85%	8,728.65	-0.64%	376.66
Maple Grove	5,833,326,300	52.64%	94,748.98	-0.64%	-1,550.68
Medina	824,215,400	7.44%	13,387.48	-0.64%	1,938.06
Plymouth	650,196,100	5.87%	10,560.94	-0.64%	1,070.37
Rogers	1,275,791,400	11.51%	20,722.30	4.00%	1,636.47
Totals	11,081,900,200	100.00%	180,000.00	0.00%	5,000.00
2010	2009 Taxable Market Value	2010 Budget Share		Increase over Prev Year	
		%age	Dollars	%age	Dollars
Champlin	523,805,500	4.78%	8,600.55	-4.06%	-363.8
Corcoran	772,067,800	7.04%	12,676.86	-5.77%	-775.62
Dayton	569,842,400	5.20%	9,356.45	-0.83%	-78.36
Hassan	506,127,000	4.62%	8,310.28	-4.79%	-418.37
Maple Grove	5,907,276,800	53.89%	96,993.70	2.37%	2,244.72
Medina	841,805,700	7.68%	13,821.91	3.25%	434.42
Plymouth	662,359,500	6.04%	10,875.52	2.98%	314.58
Rogers	1,179,384,700	10.76%	19,364.74	-6.55%	-1,357.56
Totals	10,962,669,400	100.00%	180,000.00	0.00%	0

ELM CREEK WATERSHED
MANAGEMENT COMMISSION

Annual Financial Report
Year Ended
December 31, 2010

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, 2010, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2011, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

March 28, 2011



BASIC FINANCIAL STATEMENTS

Elm Creek Watershed Management Commission

Statement of Net Assets and Balance Sheet
General Fund

As of December 31, 2010

(with Comparative Actual Amounts as of December 31, 2009)

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Assets		
Investments	\$ 374,534	\$ 308,893
Accounts receivable	13,566	8,280
Total assets	<u>\$ 388,100</u>	<u>\$ 317,173</u>
Liabilities and Fund Balances/Net Assets		
Current liabilities		
Accounts payable	\$ 27,640	\$ 16,764
Fund balances/net assets		
Reserved fund balance	39,962	45,650
Unreserved/unrestricted	320,498	254,759
Total fund balances	<u>360,460</u>	<u>300,409</u>
Total liabilities and fund balances/net assets	<u>\$ 388,100</u>	<u>\$ 317,173</u>

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, 2010

(with Comparative Actual Amounts for the Year Ended December 31, 2009)

	Governmental Activities			
	2010		2009	
	Original and Final Budget	(Audited)	Over (Under)	(Audited)
Program/project expenditures/expenses				
Invertebrate monitoring	\$ 6,000	\$ 6,000	\$ -	\$ 6,000
Lakes monitoring	5,050	4,430	(620)	16,710
Stream monitoring	18,872	14,691	(4,181)	19,793
Rain gauge	850	674	(176)	392
Wetland monitoring	4,000	3,200	(800)	2,200
Project reviews	80,000	59,350	(20,650)	39,349
Watershed-wide TMDL	139,200	85,262	(53,938)	2,545
Miss Bacteria TMDL	-	23	23	92
Second generation plan amendment	-	11,243	11,243	2,453
Special projects	3,000	-	(3,000)	-
Stream health evaluation	4,000	6,000	2,000	6,000
Watershed management plan	-	-	-	9,319
CWLA grant	-	-	-	10,014
WCA - administration	4,250	1,051	(3,199)	962
WCA - technical services	9,250	1,056	(8,194)	5,259
Total program/project expenses	274,472	192,980	(81,492)	121,088
Program/project revenue				
Membership dues	180,000	180,000	-	180,000
WCA administration fees	2,000	1,000	(1,000)	1,700
Project reviews	25,000	51,050	26,050	26,500
Water monitoring - lakes and streams	3,500	4,296	796	3,630
Watershed-wide TMDL	101,000	118,127	17,127	15,730
CWLA grant	-	-	-	17,163
Total program/project revenue	311,500	354,473	42,973	244,723
Net program/project revenue	37,028	161,493	124,465	123,635
General expenditures/expenses				
Administration	77,500	72,157	(5,343)	75,533
Insurance	4,000	2,959	(1,041)	2,648
Legal and audit services	6,000	5,032	(968)	5,192
Web site	6,500	4,425	(2,075)	4,805
Education and training	9,500	11,053	1,553	7,652
Contingency	1,728	-	(1,728)	-
Miscellaneous	500	300	(200)	-
Total general expenses	105,728	95,926	(9,802)	95,830
General revenue				
Interest and dividend income	1,000	172	(828)	997
Net general revenue (expenses)	(104,728)	(95,754)	8,974	(94,833)
Change in net assets/fund balance	\$ (67,700)	65,739	\$ 133,439	28,802
Fund balance - unreserved/unrestricted				
Fund balance - beginning of year		254,759		225,957
Fund balance - end of year		\$ 320,498		\$ 254,759

Elm Creek Watershed Management Commission

Notes to Financial Statements
December 31, 2010

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, 2010

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, 2010

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, 2010 and 2009.

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, 2010 and 2009, the Commission held \$374,534 and \$308,893 (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, 2010

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, 2010

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 - COMMITMENTS AND CONTRACTS

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.

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 to add additional funds of \$148,000 for the next phase. The Commission earned \$118,127 and \$15,730, during the years ended December 31, 2010 and 2009, respectively.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2010

NOTE 6 - MEMBERS' DUES

Dues received from members were as follows:

	For Year Ended December 31			
	2010		2009	
	Amount	Percentage	Amount	Percentage
Champlin	\$ 8,601	4.78 %	\$ 8,964	4.98 %
Corcoran	12,677	7.04	13,452	7.47
Dayton	9,356	5.20	9,435	5.24
Hassan	8,310	4.62	8,729	4.85
Maple Grove	96,994	53.89	94,749	52.64
Medina	13,822	7.68	13,387	7.44
Plymouth	10,875	6.04	10,562	5.87
Rogers	19,365	10.76	20,722	11.51
Total	<u>\$180,000</u>	<u>100.00 %</u>	<u>\$180,000</u>	<u>100.00 %</u>

OTHER REQUIRED REPORTS

Thomas J. Opitz, C.P.A.
Bridget K. McKelvey, C.P.A., M.B.T.
Thomas D. Johnson, C.P.A.
Dwaine C. Johnson, C.P.A.

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

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

Board of Directors
Elm Creek Watershed Management Commission
Plymouth, MN

We have audited the financial statements of the governmental activities and the major fund of the Elm Creek Watershed Management Commission as of and for the period ended December 31, 2010, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 28, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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, 2010, 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 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 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 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.

March 28, 2011

Johnson + Company, Ltd.

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

MEMBER
American Institute of Certified Public Accountants
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Thomas A. Barber, C.P.A.
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Brad R. Cohrs, C.P.A.

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, 2010, which collectively comprise the Commission's basic financial statements, and have issued our report thereon March 28, 2011.

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

March 28, 2011

