

Elm Creek Watershed Management Commission - 2016 Operating Budget

	A	B	C	D	AB	AC	AD	AE
3					2014 Budget	2014 Final	2015 Budget	2016 Budget
4	GENERAL OPERATING BUDGET							
5	Expenses							
6	Administrative				90,000	69,923	89,000	90,000
7	Watershed-wide TMDL Admin (Commission in-kind)				8,000	6,904	60,000	24,406
8	Grant Writing						5,000	5,100
9	Website				4,000	1,755	5,000	6,000
10	Legal Services				2,000	377	2,000	2,000
11	Audit				5,000	4,500	5,000	5,000
12	Insurance				3,500	3,014	3,500	3,800
13	Contingency				1,000	0	1,000	2,000
14	Subtotal				113,500	86,473	170,500	138,306
15	Project Reviews							
16	Technical - HCES				72,000	72,000	77,500	105,500
17	Technical Support - Consultant				3,000	7,666	3,000	6,000
18	Admin Support				8,000	11,318	8,000	11,000
19	Subtotal				83,000	90,984	88,500	122,500
20	Wetland Conservation Act							
21	WCA Expense - HCES				8,000	10,145	12,500	12,500
22	WCA Expense - Legal				500	290	500	500
23	WCA Expense - Admin				3,000	1,645	2,000	2,000
24	Subtotal				11,500	12,080	15,000	15,000
25	Water Monitoring							
26	Stream Monitoring							
27	Stream Monitoring - USGS				21,000	19,830	21,700	23,500
29	Extensive Stream Monitoring						7,000	7,200
30	DO Longitudinal Survey							500
31	Gauging Station - Elec Bill				190	181	190	195
32	Rain Gauge Network				100		100	100
33	Lake Monitoring							
34	Lake Monitoring - CAMP				1,750	950	1,650	1,650
35	Lake Monitoring - TRPD				3,600	3,600	4,240	
36	Sentinel Lakes							3,100
37	Additional lake							600
38	Aquatic Vegetation Surveys							1,000
39	Wetland Monitoring - WHEP				4,000	4,000	4,000	4,000
40	Stream Health - SHEP				6,000	6,000	6,000	6,000
41	Subtotal				36,640	34,561	44,880	47,845
42	Education							
43	Education - City/Citizen Programs				5,000	1,060	5,500	6,000
45	WMWA General Admin				3,750	3,750	4,000	4,000
46	WMWA Implementa Activities incl Watershed PREP				6,000	6,000	6,000	6,000
48	R Garden Workshop/Intensive BMPs				3,000	3,000	3,000	3,000
49	Education Grants				3,000		3,000	3,000
50	Macroinvertebrate Monitoring-River Watch				6,000	6,000	6,000	6,000
51	Ag Specialist				5,000		2,000	2,000
52	Subtotal				31,750	19,810	29,500	30,000
57	Management Plan							
58	Plan Amendments					3,953		5,000
59	Local Plan Review - due two years after Commission Plan adoption							3,000
60	Contribution to 4th Gen Plan - consider \$10,000/set-aside beginning in 2020							
61	Subtotal				0	3,953	0	8,000
62	Special Projects							
64	Projects ineligible for ad valorem				0			50,000
66	Upper and South Metro Miss TMDL				0	0	2,000	1,000
68	Studies, Project Identification, Subwatershed Assessments				10,000	5,806	35,000	35,000
70	Subtotal				10,000	5,806	37,000	86,000
72								
73	Contingency				3,000		3,000	0
74	Subtotal				3,000	0	3,000	0
75	Total Operating Expense (lines 14,19,24,41,52,61,70,74)				289,390	253,667	388,380	447,651

Elm Creek Watershed Management Commission - 2016 Operating Budget

	A	B	C	D	AB	AC	AD	AE
3					2014 Budget	2014 Final	2015 Budget	2016 Budget
76								
77	Revenue							
78				Project Review Fees	52,000	98,670	80,000	100,000
79				Water Monitoring - TRPD Co-op Agmt	5,500	5,170	5,500	6,000
81				WCA Fees	1,500	4,990	1,500	5,000
82				Forfeited/Reimbursed Sureties/Reimbursement from LGUs		1,113	3,000	1,500
83				Membership Dues	203,000	203,000	209,000	215,360
84				Interest Income	100	77	100	80
87				From (To) Cash Reserves			0	
88				Total Operating Revenue (lines 78-87)	262,100	313,020	299,100	327,940
89	TOTAL GENERAL OPERATING BUDGET (lines 75, 88)				27,290	59,353	89,280	119,711
91	Cash on hand, unencumbered				230,750	282,685	193,405	73,694
92								
93	ASSIGNED FUND BALANCES							
94	Capital Projects							
95				Revenue				
96				Ad Valorem Levy Funds			131,250	250,000
97				Expense				
98				Commission Cost Share			131,250	250,000
99				Administrative Expense				3,000
100				Total Capital Projects			0	3,000
101								
102	Third Generation Management Plan							
103				Member Assess - Contribution to Reserves				
104				Encumbered from General Fund				0
105				Less Expenses		18,200		0
106				Total Third Gen Plan		0		0
108								
109	WCA - Beginning Accumulated					11,046		0
110				WCA Activity - Current Year		11,046		0
111				WCA - Year-End Accumulated		0		0
112								
113	Assigned for capital improvement projects					55,000	will be	
114	Assigned for capital improvement projects, studies					20,220	combined	
115				Less Expenses		0		
116				Total CIPs, Projects, Studies		75,220		
117								
127	Assigned Fund Balances (lines 99, 105, 110, 115)					75,220		
128								
129	TOTAL CASH ON HAND (lines 91, 127)					357,905		

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

2014	2013 Taxable Market Value	2014 Budget Share		Increase over Prev Year		
		%age	Dollars	%age	Dollars	
Champlin	427,287,300	4.71%	9,560.45	1.40%	132	
Corcoran	608,933,512	6.71%	13,624.74	3.00%	397	
Dayton	417,808,839	4.61%	9,348.37	-1.45%	-137	
Maple Grove	4,941,523,315	54.47%	110,565.38	-0.02%	-17	
Medina	732,748,800	8.08%	16,395.08	10.97%	1,620	
Plymouth	620,457,981	6.84%	13,882.60	7.51%	970	
Rogers	1,323,964,166	14.59%	29,623.38	11.42%	3,035	
Totals	9,072,723,913	100.00%	203,000.00	3.05%	6,000	
2015	2014 Taxable Market Value	2015 Budget Share		Increase over Prev Year		
		%age	Dollars	%age	Dollars	
Champlin	365,574,074	4.03%	8,419.54	-11.93%	-1,141	
Corcoran	575,802,450	6.35%	13,261.31	-2.67%	-363	
Dayton	415,447,282	4.58%	9,568.17	2.35%	220	
Maple Grove	4,972,351,933	54.79%	114,518.23	3.58%	3,953	
Medina	711,145,751	7.84%	16,378.40	-0.10%	-17	
Plymouth	692,491,402	7.63%	15,948.77	14.88%	2,066	
Rogers	1,341,913,004	14.79%	30,905.60	4.33%	1,282	
Totals	9,074,725,896	100.00%	209,000.00	2.96%	6,000	
2016	2015 Taxable Market Value	2016 Budget Share		Increase over Prev Year		
		%age	Dollars	%age	Dollars	
Champlin	409,399,869	4.06%	8,741.51	3.82%	322	
Corcoran	679,629,691	6.74%	14,511.46	9.43%	1,250	
Dayton	467,103,289	4.63%	9,973.60	4.24%	405	
Maple Grove	5,431,286,657	53.85%	115,968.92	1.27%	1,451	
Medina	805,089,215	7.98%	17,190.28	4.96%	812	
Plymouth	817,567,896	8.11%	17,456.72	9.45%	1,508	
Rogers	1,476,090,709	14.63%	31,517.51	1.98%	612	
Totals	10,086,167,326	100.00%	215,360.00	3.04%	6,360	

ELM CREEK WATERSHED
MANAGEMENT COMMISSION

Financial Statements and
Supplemental Information
For the Year Ended
December 31, 2016

ELM CREEK WATERSHED MANAGEMENT COMMISSION

Table of Contents

	Page
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	1 - 2
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position and Governmental Fund Balance Sheet	3
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes In Fund Balances/Net Position - Budget and Actual	4
Notes to Basic Financial Statements	5 - 11
OTHER REQUIRED REPORTS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	12 - 13
Independent Auditors' Report on Minnesota Legal Compliance	14

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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, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Commission's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Commission as of December 31, 2016, the respective changes in the financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Commission has not presented the MD&A that accounting principles generally accepted in the United States of America have determined necessary to supplement, although not required to be part of, the basic financial statements.

Prior Year Comparative Information

We have previously audited the Commission's financial statements for the year ended December 31, 2015 and, in our report dated April 6, 2016, we expressed an unqualified opinion on the financial statements of the governmental activities and major fund. The financial statements include prior year partial comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2015, from which such information was derived.

Other Reporting

We have also issued our report dated April 12, 2017, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

Johnson & Company, Ltd.

April 12, 2017

BASIC FINANCIAL STATEMENTS

Elm Creek Watershed Management Commission

Statement of Net Position and
Governmental Fund Balance Sheet

As of December 31, 2016

(with Partial Comparative Actual Amounts as of December 31, 2015)

	Governmental Activities	
	2016	2015
Assets		
Cash and investments	\$ 524,931	\$ 517,502
Restricted cash	46,000	-
Accounts receivable	1,596	12,680
Total assets	\$ 572,527	\$ 530,182
Liabilities and Fund Balances/Net Position		
Liabilities		
Accounts payable	\$ 42,733	\$ 56,617
Financial and administrative guarantee fee deposits	46,000	-
Total liabilities	88,733	56,617
Fund balances/net position		
Restricted fund balances/net position		
Restricted for capital improvement projects	129,048	125,342
Assigned fund balances/net position		
Assigned for capital projects, studies	62,832	34,316
Assigned for water monitoring program	1,000	-
Total assigned funds	63,832	34,316
Unrestricted/unassigned fund balances/net position	290,914	313,907
Total assigned or unrestricted fund balances/net position	354,746	348,223
Total fund balances/net position	483,794	473,565
Total liabilities and fund balances/net position	\$ 572,527	\$ 530,182

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, 2016

(with Partial Comparative Actual Amounts for the Year Ended December 31, 2015)

	Governmental Activities			
	2016		2015	
	Original and Final Budget	(Audited)	Over (Under)	(Audited)
Revenue				
General				
Member assessments	\$ 215,360	\$ 215,360	\$ -	\$ 209,000
Property taxes (ad valorem)	-	249,866	249,866	131,570
Charges for services - project and wetland review fees	105,000	70,882	(34,118)	79,690
Reimbursements	6,000	5,133	(867)	18,680
Interest income	80	915	835	83
Miscellaneous	1,500	-	(1,500)	-
Total revenue	<u>327,940</u>	<u>542,156</u>	<u>214,216</u>	<u>439,023</u>
Expenditures				
Current				
Administration	133,406	102,229	(31,177)	87,834
Education	30,000	18,124	(11,876)	19,367
Insurance	3,800	1,442	(2,358)	2,349
Professional fees	7,000	5,541	(1,459)	4,964
Technical support	111,500	100,434	(11,066)	113,806
Water monitoring	47,845	34,785	(13,060)	39,347
Watershed programs	106,100	15,032	(91,068)	43,240
Watershed plan	8,000	1,698	(6,302)	9,165
Capital outlay				
Improvement projects	-	252,642	252,642	3,291
Total expenditures	<u>447,651</u>	<u>531,927</u>	<u>84,276</u>	<u>323,363</u>
Net change in fund balances/net position	<u>\$ (119,711)</u>	<u>10,229</u>	<u>\$ 129,940</u>	<u>115,660</u>
Net fund balances/net position				
Beginning of year		<u>473,565</u>		<u>357,905</u>
End of year		<u>\$ 483,794</u>		<u>\$ 473,565</u>

Elm Creek Watershed Management Commission

Notes to Financial Statements
December 31, 2016

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statement Presentation

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Fund Financial Statement Presentation

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

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

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

Budgets

The amounts shown in the financial statements as "budget" represent the budget amounts based on the modified accrual basis of accounting. A budget for the General Fund is adopted annually by the Commission. Appropriations lapse at year-end. 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, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

The Commission follows the policy of expensing any supplies or small equipment at the time of purchase. The Commission currently has no capitalized assets.

Risk Management

The Commission is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; error and omissions; and natural disasters. The Commission participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property, casualty, and other miscellaneous insurance coverages. LMCIT operates as a common risk management and insurance program for a large number of cities in Minnesota. The Commission pays an annual premium to LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage during the year ended December 31, 2016.

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, 2016 and 2015.

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.

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, 2015, from which the summarized information was derived. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2016

NOTE 2 - ASSETS, LIABILITIES AND NET POSITION

A. Deposits

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

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

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

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

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

B. Investments

At December 31, 2016 and 2015, the Commission held \$570,931 and \$517,502 (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.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2016

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

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.

C. 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.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2016

NOTE 3 - FUND BALANCE CLASSIFICATION

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

- **Nonspendable** - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- **Restricted** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- **Committed** - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- **Assigned** - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- **Unassigned** - amounts that are available for any purpose; these amounts are reported only in the general fund.

The Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Commission through adoption or amendment of the budget as intended for specific purpose.

NOTE 4 - COMMITMENTS AND CONTRACTS

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

During 2009, the MPCA contracted the Commission to conduct a water monitoring program of the Elm Creek watershed for a cost not to exceed \$35,000. This contract was amended four times to add additional funds of \$148,000 for phase II, \$100,000 for phase III, \$109,995 for phase IV, \$16,500 for phase V and \$58,495 for phase VI. Total cost to the MPCA not to exceed \$467,990. The Commission has contracted Three Rivers Park District to perform the services in conjunction with this project. The Commission earned \$12,680 during the year ended December 31, 2015, and incurred expenses of \$15,032 and \$12,680 during the years ended December 31, 2016 and 2015, respectively.

Restricted fund balance - capital improvement projects

During 2015, the Commission received \$68,916 from tax levies that is to be used for the Tower Drive improvement project. During 2016, the Commission incurred expenses of \$37 in project related costs. As of December 31, 2016, the city of Medina has yet to complete the project. The Commission will hold the funds of \$66,890, amount of the levy, (less administrative costs) until completion.

During 2015, the Commission received \$62,654 from tax levies that is to be used for the Elm Creek Dam rehabilitation project. During 2016, the Commission incurred expenses of \$34 in project related costs. As of December 31, 2016, the city of Champlin has yet to complete the project. The Commission will hold the funds of \$60,988, amount of the levy, (less administrative costs) until completion.

Elm Creek Watershed Management Commission

Notes to Financial Statements (continued)
December 31, 2016

Restricted fund balance - capital improvement projects (continued)

During 2015, the Commission agreed to support the city of Plymouth with certain stream restoration capital improvement projects. During 2016, the Commission received \$249,866 from tax levies that is to be used for the Plymouth Elm Creek Restoration project. The Commission incurred \$245,557 and \$2,606 of costs associated with this project during the years ended December 31, 2016 and 2015, respectively. The Commission will hold the remaining funds of \$1,703 (less administrative costs) until completion.

NOTE 5 - MEMBERS' ASSESSMENTS

Dues received from members were as follows:

	For Year Ended December 31			
	2016		2015	
	Amount	Percentage	Amount	Percentage
Champlin	\$ 8,741	4.06 %	\$ 8,420	4.03 %
Corcoran	14,511	6.74	13,261	6.35
Dayton	9,974	4.63	9,568	4.58
Maple Grove	115,969	53.85	114,518	54.79
Medina	17,190	7.98	16,378	7.84
Plymouth	17,457	8.11	15,949	7.63
Rogers	31,518	14.63	30,906	14.78
Total	<u>\$ 215,360</u>	<u>100.00 %</u>	<u>\$ 209,000</u>	<u>100.00 %</u>

OTHER REQUIRED REPORTS

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

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

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Board of Directors
Elm Creek Watershed Management Commission
Plymouth, MN

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and the major fund of the Elm Creek Watershed Management Commission (the Commission) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 12, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. We did identify the following deficiencies in internal control that we consider to be significant deficiencies:

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson & Company, Ltd.

April 12, 2017

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

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

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Elm Creek Watershed Management Commission
Plymouth, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and major fund of the Elm Creek Watershed Management Commission (the Commission) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 12, 2017.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the applicable listed categories, except that we did not test for compliance in tax increment financing, because the Commission does not utilize tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Commission's noncompliance with the above referenced provisions.

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.

April 12, 2017

