WEST MISSISSIPPI WATERSHED
MANAGEMENT COMMISSION

Annual Financial Report
Year Ended
December 31, 2011

WEST MISSISSIPPI WATERSHED MANAGEMENT COMMISSION

Table of Contents

JOHNSON & COMPANY, Ltd. Certified Public Accountants

Thomas J. Opitz, CPA, CVA
Bridget K. McKelvey, CPA, MBT, CVA
Thomas D. Johnson, CPA
Dwaine C. Johnson, 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

Thomas A. Barber, CPA
Kristi K. Boisclair, CPA
Brad R. Cohrs, CPA
Robert Van Winkle, CPA

INDEPENDENT AUDITORS' REPORT

Board of Directors
West Mississippi Watershed Management Commission
Plymouth, Minnesota

We have audited the accompanying financial statements of the governmental activities and major fund of the West Mississippi Watershed Management Commission (the Commission), as of and for the year ended December 31, 2011, 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. The prior year partial comparative information has been derived from the Commission's financial statements for the year ended December 31, 2010 and, in our report dated April 1, 2011, we expressed an unqualified opinion on the respective financial statements of the governmental activities and major fund.

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, 2011, 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 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, 2010, from which such information was derived.

In accordance with *Government Auditing Standards,* we have also issued our report dated April 8, 2012, 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.

April 8, 2012

J& Co.

3255 FERNBROOK LANE N., MINNEAPOLIS, MN 55447 (952) 525-9500 FAX (952) 525-0301

BASIC FINANCIAL STATEMENTS

West Mississippi Watershed Management Commission

Statement of Net Assets and Balance Sheet
General Fund
As of December 31, 2011
(with Comparative Actual Amounts as of December 31, 2010)

	Governmental Activities	
	2011	2010
Assets		
Investments	$ 194,230	$ 219,171
Accounts receivable	-	144
Total assets	$ 194,230	$ 219,315
Liabilities and Net Assets		
Accounts payable	$ 14,205	$ 14,497
Fund balances/net assets		
Unrestricted/unassigned fund balance/net assets	180,025	204,818
Total liabilities and fund balance/net assets	$ 194,230	$ 219,315

See notes to basic financial statements

West Mississippi Watershed Management Commission

Statement of Activities and Revenue, Expenditures, and Changes in Fund Balance/Net Assets
Budget and Actual
General Fund
Year Ended December 31, 2011
(with Comparative Actual Amounts for the Year Ended December 31, 2010)

	Governmental Activities			
	2011			2010
	Original and Final Budget	(Audited)	Over (Under)	(Audited)
Program/project expenditures/expenses				
General government				
Macroinvertebrate monitoring	$ 1,000	$ 1,000	$ -	$ 1,000
Engineering	33,500	24,662	(8,838)	38,162
Education and training	32,000	30,430	(1,570)	23,494
Stream monitoring	22,000	21,982	(18)	-
Wetland monitoring	2,000	2,000	-	2,000
P8 model	3,500	10,574	7,074	3,580
Annual water quality report	5,000	4,678	(322)	742
Matching grant funds	10,000	-	(10,000)	-
Third generation management plan	21,000	16,907	(4,093)	-
CIPs - Stream Stabilization	250,000	-	(250,000)	47,742
Total program/project expenditures/expenses	380,000	112,233	(267,767)	116,720
Program/project revenues				
General government				
Membership dues	128,000	128,000	-	128,000
Project reviews	3,000	4,250	1,250	2,500
Special Monitoring	29,600	-	(29,600)	-
Third Generation Plan	21,000	-	(21,000)	-
Ad Valorem - Stream Stabilization	250,000	-	(250,000)	-
Total program/project revenues	431,600	132,250	(299,350)	130,500
Net program/project revenues	51,600	20,017	(31,583)	13,780
General expenditures/expenses				
Administration	37,000	33,368	(3,632)	31,785
Insurance	3,000	1,747	(1,253)	1,892
Legal and audit services	9,500	8,688	(812)	8,974
Contingency	1,500	-	(1,500)	-
Meeting expense	1,600	1,046	(554)	1,193
Total general expenditures/expenses	52,600	44,849	(7,751)	43,844
General revenue				
Interest and dividend income	1,000	39	(961)	137
Total general revenue	1,000	39	(961)	137
Net general revenue (expenditures/expenses)	(51,600)	(44,810)	6,790	(43,707)
Change in fund balance/net assets	$ -	(24,793)	$ (24,793)	(29,927)
Fund balances/net assets				
Beginning of year		204,818		234,745
End of year		$ 180,025		$ 204,818

See notes to basic financial statements

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization

The West Mississippi 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. West Mississippi Watershed Management Commission was established in 1984 to protect and manage the natural resources of the West Mississippi 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 Assets 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.

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 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members' contributions

Members' contributions are calculated based on the member's share of the area and tax capacity of all real property within the watershed to the total area and tax capacity of all real property in the watershed.

Capital assets

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

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, 2011 and 2010.

Net assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements.

Change in Accounting Principle

For the year ended December 31, 2011, the Commission has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Commission is implementing this standard retroactively, meaning prior year fund balance classifications have been restated. More information on these fund balance classifications is included elsewhere in these notes.

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, 2010, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – ASSETS, LIABILITIES AND NET ASSETS

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

The Commission held $194,230 and $219,171 (approximate cost and fair value) in investments with MBIA in Minnesota 4M Funds Holdings on December 31, 2011 and 2010, respectively.

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.

NOTE 2 – ASSETS, LIABILITIES AND NET ASSETS (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.

NOTE 3 - FUND EQUITY

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

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - 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 fund balance - 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 fund balance - 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 fund balance - 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 - MEMBERS' DUES

Dues received from members were as follows:

	For the year ended December 31			
	2011		2010	
	Amount	Percentage	Amount	Percentage
Brooklyn Center	$ 13,822	10.80%	$ 13,528	10.57%
Brooklyn Park	76,151	59.49	77,360	60.44
Champlin	32,003	25.00	31,187	24.36
Maple Grove	4,445	3.47	4,228	3.30
Osseo	1,579	1.24	1,697	1.33
Total	$128,000	100.00%	$128,000	100.00%

OTHER REQUIRED REPORTS

JOHNSON & COMPANY, Ltd. Certified Public Accountants

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 J. Opitz, CPA, CVA
Bridget K. McKelvey, CPA, MBT, CVA
Thomas D. Johnson, CPA
Dwaine C. Johnson, CPA

Thomas A. Barber, CPA
Kristi K. Boisclair, CPA
Brad R. Cohrs, CPA
Robert Van Winkle, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

Board of Directors
West Mississippi Watershed Management Commission
Plymouth, MN

We have audited the financial statements of the governmental activities and the major fund of the West Mississippi Watershed Management Commission as of and for the year ended December 31, 2011, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 8, 2012. 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

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit of the financial statements of the West Mississippi Watershed Management Commission as of and for the year ended December 31, 2011, 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 by used by anyone other than these specified parties.

Johnson & Company, Ltd.

April 8, 2012

3255 FERNBROOK LANE N., MINNEAPOLIS, MN 55447 (952) 525-9500 FAX (952) 525-0301

JOHNSON & COMPANY, Ltd.
Certified Public Accountants

Thomas J. Opitz, CPA, CVA
Bridget K. McKelvey, CPA, MBT, CVA
Thomas D. Johnson, CPA
Dwaine C. Johnson, 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

Thomas A. Barber, CPA
Kristi K. Boisclair, CPA
Brad R. Cohrs, CPA
Robert Van Winkle, CPA

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

Board of Directors
West Mississippi Watershed Management Commission
Plymouth, Minnesota

We have audited the financial statements of the governmental activities and major fund of the West Mississippi Watershed Management Commission (the Commission) as of and for the year ended December 31, 2011, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 8, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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.

April 8, 2012

J & Co.
3255 FERNBROOK LANE N., MINNEAPOLIS, MN 55447 (952) 525-9500 FAX (952) 525-0301