SHINGLE CREEK WATERSHED
MANAGEMENT COMMISSION

Financial Statements and
Supplemental Information
For the Year Ended
December 31, 2017

SHINGLE CREEK WATERSHED MANAGEMENT COMMISSION

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INDEPENDENT AUDITORS' REPORT

Commissioners
Shingle 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 Shingle Creek Watershed Management Commission (the Commission), as of and for the year ended December 31, 2017, 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, 2017, 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.

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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, 2016 and, in our report dated June 8, 2017, 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, 2016, from which such information was derived.

Other Reporting

We have also issued our report dated June 14, 2018, 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.

June 14, 2018

BASIC FINANCIAL STATEMENTS

Shingle Creek Watershed Management Commission

Statement of Net Position and
Governmental Fund Balance Sheet
As of December 31, 2017
(with Comparative Actual Amounts as of December 31, 2016)

	Governmental Activities	
	2017	2016
Assets		
Investments	$ 1,271,592	$ 1,320,650
Accounts receivable	-	2,200
Due from other governments	43,110	151,015
Total assets	$ 1,314,702	$ 1,473,865
Liabilities and Fund Balances/Net Position		
Liabilities		
Accounts payable	$ 25,385	$ 252,787
Unearned revenue	291,362	361,879
	316,747	614,666
Fund balances/net position		
Restricted fund balances/net position		
Restricted for capital improvements	640,703	811,444
Restricted for cost share projects	151,776	-
Restricted for partnership BMP retrofit projects	99,557	-
Restricted closed project funds	93,819	74,155
Restricted for West Metro Water Alliance	23,222	12,231
Total restricted fund balance/net position	1,009,077	897,830
Assigned fund balances/net position		
Assigned for fourth generation plan	50,000	40,000
Assigned for subwatershed assessments	17,355	5,059
Unrestricted/unassigned fund balances/net position	(78,477)	(83,690)
Total assigned and unrestricted fund balances/net position	(11,122)	(38,631)
Total fund balance/net position	997,955	859,199
Total liabilities and fund balances/net position	$ 1,314,702	$ 1,473,865

See notes to basic financial statements

Shingle 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, 2017
(with Comparative Actual Amounts for the Year Ended December 31, 2016)

	Governmental Activities			
	2017			2016
	Original and Final Budget	(Audited)	Over (Under)	(Audited)
Revenue				
General				
Member assessments	$ 340,610	$ 340,610	$ -	$ 337,970
Property taxes (ad valorem)	-	360,734	360,734	316,845
Charges for services - project and wetland review fees	25,000	28,367	3,367	19,300
Grants	-	184,476	184,476	341,087
Reimbursements	38,000	38,923	923	37,833
Interest income	100	8,469	8,369	1,782
Miscellaneous	-	987	987	351
Total revenue	403,710	962,566	558,856	1,055,168
Expenditures				
Current				
Administration	94,000	95,908	1,908	80,314
Education	67,000	54,430	(12,570)	62,782
Insurance	2,500	2,171	(329)	996
Professional fees	11,000	9,919	(1,081)	11,231
Technical support	101,410	124,389	22,979	104,031
Water monitoring	95,800	95,318	(482)	95,287
Watershed programs	-	7,704	7,704	14,941
Watershed plan	32,000	285	(31,715)	1,608
Capital outlay				
Improvement projects - levies	-	248,311	248,311	101,976
Improvement projects - grants	-	185,375	185,375	354,960
Total expenditures	403,710	823,810	420,100	828,126
Net change in fund balances/net position	$ -	138,756	$ 138,756	227,042
Net fund balances/net position				
Beginning of year		859,199		632,157
End of year		$ 997,955		$ 859,199

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization

The Shingle 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. Shingle Creek Watershed Management Commission was established in 1984 to protect and manage the natural resources of the Shingle 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) 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.

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 (with the exception of the expenditure-driven grants) to be available if they are collected within 60 days of the end of the current fiscal period. The expenditure driven grants are considered available if received within one year from the balance sheet date. 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.

Investments

Investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price.

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.

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, 2017.

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, 2017 and 2016.

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 "restriced" 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2016, from which the summarized information was derived. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Unearned Revenue

The commission recognizes grant revenue as it becomes eligible to receive the grant. If the grant has restrictions that have not been satisfied, the revenue is deferred until the Commission has satisfied them.

In 2015, the Commission was awarded a grant for $725,000 from the Board of Water and Soil Resources to fund installation of an underground infiltration gallery at Becker Park ballfields. Total project costs are projected to be $2,667,000. The City of Crystal is to provide funds of $1,342,000, and the Commission is to fund $250,000. In 2018, the City and the Commission were awarded two other grants for this project totaling $350,000. As of December 31, 2017, the Commission had received $362,500 in grant funds and had incurred $90,571 in direct project costs. Direct project costs of $899 were paid out of the closed project fund.

In 2017, the Commission was awarded a grant for $38,000 from the Board of Water and Soil Resources to fund the Minneapolis Subwatershed Assessment project. Total project costs are projected to be $47,500. As of December 31, 2017, the Commission had received $19,000 in grant funds and had incurred $466 in direct project costs.

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

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

A. Deposits (continued)

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, 2017, the Commission held $1,271,592 and $1,320,650 (approximate cost and fair value), respectively, in investments with MBIA in Minnesota 4M Funds Holdings.

The 4M fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The 4M Fund is a customized cash management and investment program for Minnesota public funds that is allowable under Minnesota Statutes. The fair value of the position in the pool is the same as the value of the pool shares.

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

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

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

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

B. Investments (continued)

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

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

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

Restricted fund balance - capital improvement projects

During 2011, the Commission assessed $250,000, but received $244,873 from tax levies that is to be used for the Minneapolis 37 Avenue project. The Commission is responsible for the levy shortfall of $5,127. As of December 31, 2017, the City of Minneapolis has yet to complete the improvements. The Commission will hold the funds of $244,873 less administrative costs to-date of $523 until completion. This project was finished and closed in 2018.

NOTE 4 – COMMITMENTS AND CONTRACTS (CONTINUED)

Restricted fund balance – capital improvement projects (continued)

During 2012, the Commission assessed $87,500, but received $93,797 from tax levies that is to be used for the Connections at Shingle Creek Stream Restoration project. The excess levy of $6,297 was transferred to restricted closed projects fund. As of December 31, 2017, the city has yet to complete the project. The Commission will hold the funds of $87,500 less administrative costs to-date of $3,022 until completion.

During 2015, the Commission assessed $210,000, but received $202,252 from tax levies that is to be used for the Plymouth Bass Lake Pond project. The Commission is responsible for the levy shortfall of $7,748. As of December 31, 2017, the city has yet to complete the project. The Commission will hold the funds of $202,252 less costs to-date of $28,652 until completion.

During 2016, the Commission assessed $125,000, but received $125,184 from tax levies that is to be used for the Twin Lake Carp Management project. As of December 31, 2017, the commission has yet to complete the project. The Commission will hold the funds of $125,184 less costs to-date of $24,395 until completion.

During 2017, the Commission assessed $212,100, but received $210,003 from tax levies that is to be used for the Iron and Biochar-Enhanced Sand Filter Retrofits project. The Commission is responsible for the levy shortfall of $2,097. As of December 31, 2017, the cities have yet to complete the project. The Commission will hold the funds of $210,003 less costs to-date of $172,518 until completion.

Restricted fund balance – cost share projects

During 2015, the Commission assessed $50,000, but received $48,153 from tax levies that is to be used for the cost-sharing Best Management Practices project. The Commission is responsible for the the levy shortfall of $1,847. As of December 31, 2017, the projects were completed. The Commission will hold the surplus levy revenue over project costs of $2,293 for use in other cost share projects.

During 2016, the Commission assessed $100,000, but received $100,160 from tax levies that is to be used for the cost-sharing Best Management Practices project. As of December 31, 2017, the cities have yet to complete the project. The Commission will hold the funds of $100,160 less costs to-date of $560 until completion.

During 2017, the Commission assessed $101,000, but received $100,015 from tax levies that is to be used for the cost-sharing Shingle Creek Retrofits project. The Commission is responsible for the the levy shortfall of $985. As of December 31, 2017, the cities have yet to complete the project. The Commission will hold the funds of $100,015 less costs to-date of $50,132 until completion.

Restricted fund balance – partnership BMP retrofits fund

During 2016, the Commission assessed $50,000, but received $50,080 from tax levies that is to be used for the Best Management Practices – Private project. As of December 31, 2017, no projects have been submitted. The Commission will hold the funds of $50,080 less costs to-date of $399 in the fund for future projects.

NOTE 4 – COMMITMENTS AND CONTRACTS (CONTINUED)

Restricted fund balance - partnership BMP retrofits fund (continued)

During 2017, the Commission assessed $50,500, but received $50,008 from tax levies that is to be used for the Best Management Practices - Private project. The Commission is responsible for the the levy shortfall of $492. As of December 31, 2017, no projects have been submitted. The Commission will hold the funds of $50,008 less costs to-date of $132 in the fund for future projects.

Restricted fund balance - closed project funds

At December 31, 2017 and 2016, the Commission retained unspent funds collected through tax levies that exceeded the project costs and administrative fees totaling $93,819 and $74,155, respectively. The use of those funds is restricted for other capital improvement projects.

Restricted fund balance - West Metro Water Alliance

The Commission serves as the fiscal agent for the West Metro Water Alliance (WMWA), a partnership between watersheds, county and park agencies in Hennepin County. It collects funds from its partners and makes disbursements for approved expenditures. As of December 31, 2017 and 2016, the Commission held $23,222 and $12,231, respectively, of funds from its partners for WMWA projects.

Deficit net position/fund balance

At December 31, 2017 and 2016, the Commission had unrestricted/unassigned net position/fund balance deficits of $78,477 and $83,690, respectively. The deficits resulted from program/project expenditures exceeding program/project revenues.

NOTE 5 – MEMBERS' ASSESSMENTS

The nine member cities support the Commission through annual member dues, which are based on the taxable market value of each member city. Annual member dues are assessed on a yearly basis.

Dues received from members were as follows:

	For Year Ended Decmeber 31			
	2017		2016	
	Amount	Percentage	Amount	Percentage
Brooklyn Center	$ 40,159	11.79%	$ 39,906	11.81%
Brooklyn Park	81,733	24.00	80,747	23.89
Crystal	26,591	7.81	26,830	7.94
Maple Grove	63,802	18.73	63,206	18.70
Minneapolis	21,944	6.44	21,318	6.31
New Hope	27,414	8.05	26,943	7.97
Osseo	5,076	1.49	5,102	1.51
Plymouth	56,181	16.49	55,777	16.50
Robbinsdale	17,710	5.20	18,141	5.37
Total Members' Dues	$ 340,610	100.00%	$ 337,970	100.00%

OTHER REQUIRED REPORTS

JOHNSON & COMPANY, Ltd. Certified Public Accountants

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

Board of Directors
Shingle 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 Shingle Creek Watershed Management Commission (the Commission) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 14, 2018.

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.

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Purpose of this Report

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

Johnson + Company, Ltd.

June 14, 2018

JOHNSON & COMPANY, Ltd. Certified Public Accountants

MEMBER
American Institute of Certified Public Accountants
Minnesota Society of Certified Public Accountants
Private Companies Practice Section of
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INDEPENDENT AUDITORS' REPORT
ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Shingle 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 Shingle Creek Watershed Management Commission (the Commission) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 14, 2018.

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 Shingle Creek Watershed Management Commission and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Johnson & Company, Ltd.

June 14, 2018

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