

BASSETT CREEK WATERSHED  
MANAGEMENT COMMISSION

Annual Financial Report  
Year Ended  
January 31, 2009

MMKR  
CERTIFIED PUBLIC  
ACCOUNTANTS

MALLOY  
MONTAGUE  
KARNOWSKI  
RADOSEVICH  
& Co., P.A.

BASSETT CREEK WATERSHED  
MANAGEMENT COMMISSION

Annual Financial Report  
Year Ended  
January 31, 2009

BASSETT CREEK WATERSHED  
MANAGEMENT COMMISSION

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BASSETT CREEK WATERSHED  
MANAGEMENT COMMISSION

Board of Commissioners  
Year Ended January 31, 2009

<u>Commissioner</u>	<u>Position</u>	<u>Governmental Unit</u>
Michael Welch	Chairperson	City of Minneapolis
Ginny Black	Vice Chairperson	City of Plymouth
Linda Loomis	Treasurer	City of Golden Valley
Pauline Langsdorf	Secretary	City of Crystal
Manuel Jordan	Commissioner	City of St. Louis Park
Karla Peterson	Commissioner	City of Robbinsdale
Daniel Stauner	Commissioner	City of New Hope
Kris Sundburg	Commissioner	City of Minnetonka
Cheri Templeman	Commissioner	City of Medicine Lake

FINANCIAL SECTION



PRINCIPALS

Kenneth W. Malloy, CPA  
Thomas M. Montague, CPA  
Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Bassett Creek Watershed Management Commission

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bassett Creek Watershed Management Commission (the Commission) as of and for the year ended January 31, 2009, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information presented has been derived from the Commission's financial statements for the year ended January 31, 2008, and in our report dated May 7, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities and each 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission at January 31, 2009, and the respective changes in 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 January 31, 2008, from which it was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2009 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this 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. This 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.

(continued)

The Management's Discussion and Analysis (MD&A) 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.

*Malloy, Montague, Kamowski, Radoszewich & Co., P.A.*

April 16, 2009

BASIC FINANCIAL STATEMENTS



BASSETT CREEK WATERSHED  
MANAGEMENT COMMISSION

Statement of Net Assets  
as of January 31, 2009  
(With Partial Comparative Information as of January 31, 2008)

	Governmental Activities	
	2009	2008
Assets		
Cash and investments	\$ 3,538,003	\$ 3,288,348
Accounts receivable	15,088	1,026
Delinquent taxes receivable	15,026	4,463
Prepays	1,600	1,600
Total assets	3,569,717	3,295,437
Liabilities		
Accounts payable	146,492	46,383
Unearned revenue	194,970	115,413
Total liabilities	341,462	161,796
Net assets		
Unrestricted	\$ 3,228,255	\$ 3,133,641

See notes to basic financial statements

BASSETT CREEK WATERSHED  
MANAGEMENT COMMISSION

Statement of Activities  
Year Ended January 31, 2009  
(With Partial Comparative Information for the Year Ended January 31, 2008)

	Governmental Activities	
	2009	2008
Expenses		
Watershed management		
Administration	\$ 334,339	\$ 298,562
Improvement projects	1,070,745	369,440
Total expenses	1,405,084	668,002
Program revenues		
Charges for services – member assessments	455,499	365,049
Charges for services – permit fees	42,900	35,600
Capital grants and contributions	47,067	73,364
Total program revenues	545,466	474,013
Net program revenue (expenses)	(859,618)	(193,989)
General revenues		
Property taxes	882,208	185,114
Unrestricted state aids	25,062	4,694
Investment earnings	45,048	112,281
Other	1,914	24,309
Total general revenues	954,232	326,398
Change in net assets	94,614	132,409
Net assets		
Beginning of year	3,133,641	3,001,232
End of year	\$ 3,228,255	\$ 3,133,641

See notes to basic financial statements

BASSETT CREEK WATERSHED  
MANAGEMENT COMMISSION

Balance Sheet  
Governmental Funds  
as of January 31, 2009  
(With Partial Comparative Information as of January 31, 2008)

	General Fund	Improvement Capital Projects Fund	Total Governmental Funds	
			2009	2008
<b>Assets</b>				
<b>Current assets</b>				
Cash and temporary investments	\$ 527,348	\$ 3,010,655	\$ 3,538,003	\$ 3,288,348
Accounts receivable	15,088	-	15,088	1,026
Delinquent taxes receivable	-	15,026	15,026	4,463
Prepaid expenses	1,600	-	1,600	1,600
	<u>\$ 544,036</u>	<u>\$ 3,025,681</u>	<u>\$ 3,569,717</u>	<u>\$ 3,295,437</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 47,450	\$ 99,042	\$ 146,492	\$ 46,383
Deferred revenue	-	15,026	15,026	4,463
Unearned revenue	194,970	-	194,970	115,413
Total liabilities	<u>242,420</u>	<u>114,068</u>	<u>356,488</u>	<u>166,259</u>
<b>Fund balances</b>				
<b>Unreserved</b>				
Designated for improvements	-	2,911,613	2,911,613	2,932,063
Undesignated	301,616	-	301,616	197,115
Total fund balances	<u>301,616</u>	<u>2,911,613</u>	<u>3,213,229</u>	<u>3,129,178</u>
Total liabilities and fund balances	<u>\$ 544,036</u>	<u>\$ 3,025,681</u>		

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Certain revenues (including delinquent taxes) are included in net assets, but are excluded from fund balances until they are available to liquidate liabilities of the current period.

	15,026	4,463
Net assets of governmental activities	<u>\$ 3,228,255</u>	<u>\$ 3,133,641</u>

See notes to basic financial statements

BASSETT CREEK WATERSHED  
MANAGEMENT COMMISSION

Statement of Revenue, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended January 31, 2009  
(With Partial Comparative Information for the Year Ended January 31, 2008)

	<u>General Fund</u>	<u>Improvement Capital Projects Fund</u>	<u>Total Governmental Funds</u>	
			2009	2008
<b>Revenue</b>				
Member contributions	\$ 455,499	\$ -	\$ 455,499	\$ 365,049
Permit fees	42,900	-	42,900	35,600
Property taxes	-	871,645	871,645	188,693
State aid	-	72,129	72,129	78,058
Other revenue				
Investment earnings	-	45,048	45,048	112,281
Miscellaneous	441	1,473	1,914	24,309
Total revenue	<u>498,840</u>	<u>990,295</u>	<u>1,489,135</u>	<u>803,990</u>
<b>Expenditures</b>				
<b>Current</b>				
Engineering	232,939	-	232,939	215,773
Legal	14,428	-	14,428	15,489
Professional services	14,149	-	14,149	12,411
Secretarial services	43,084	-	43,084	41,751
Public relations and outreach	8,729	-	8,729	5,028
Financial management	3,000	-	3,000	1,200
Education	2,157	-	2,157	2,160
Demonstration projects	11,634	-	11,634	-
Miscellaneous	4,219	-	4,219	4,750
Capital outlay				
Improvement projects	-	1,070,745	1,070,745	369,440
Total expenditures	<u>334,339</u>	<u>1,070,745</u>	<u>1,405,084</u>	<u>668,002</u>
Excess of revenue over expenditures	164,501	(80,450)	84,051	135,988
<b>Other financing sources (uses)</b>				
Transfers in	-	60,000	60,000	85,000
Transfers (out)	(60,000)	-	(60,000)	(85,000)
Total other financing sources (uses)	<u>(60,000)</u>	<u>60,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	104,501	(20,450)	84,051	135,988
<b>Fund balances</b>				
Beginning of year	<u>197,115</u>	<u>2,932,063</u>		
End of year	<u>\$ 301,616</u>	<u>\$ 2,911,613</u>		

Amounts reported for governmental activities in the Statement of Activities are different because:

Certain revenues (including delinquent taxes) are included in net assets, but are excluded from fund balances until they are available to liquidate liabilities of the current period.	<u>10,563</u>	<u>(3,579)</u>
Change in net assets of governmental activities	<u>\$ 94,614</u>	<u>\$ 132,409</u>

See notes to basic financial statements

BASSETT CREEK WATERSHED  
MANAGEMENT COMMISSION

Statement of Revenue, Expenditures, and Changes in Fund Balances  
Budget and Actual  
General Fund  
Year Ended January 31, 2009

	Original and Final Budget	Actual	Over (Under) Budget
Revenue			
Member contributions	\$ 455,500	\$ 455,499	\$ (1)
Permit fees	45,000	42,900	(2,100)
Other revenue			
Miscellaneous	1,500	441	(1,059)
Total revenue	502,000	498,840	(3,160)
Expenditures			
Current			
Engineering	309,000	232,939	(76,061)
Legal	15,000	14,428	(572)
Professional services	13,000	14,149	1,149
Secretarial services	45,900	43,084	(2,816)
Public relations and outreach	11,000	8,729	(2,271)
Financial management	3,000	3,000	-
Education	12,000	2,157	(9,843)
Demonstration projects	16,500	11,634	(4,866)
Miscellaneous	5,100	4,219	(881)
Total expenditures	430,500	334,339	(96,161)
Excess of revenue over expenditures	71,500	164,501	93,001
Other financing uses			
Transfers out	(60,000)	(60,000)	-
Net change in fund balances	\$ 11,500	104,501	\$ 93,001
Fund balances			
Beginning of year		197,115	
End of year		\$ 301,616	

See notes to basic financial statements

BASSETT CREEK WATERSHED  
MANAGEMENT COMMISSION

Notes to Basic Financial Statements  
January 31, 2009

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Bassett Creek Watershed Management Commission (the Commission) is a joint venture of the cities of Crystal, Golden Valley, Medicine Lake, Minneapolis, Minnetonka, New Hope, Plymouth, Robbinsdale, and St. Louis Park, formed under the authority of Minnesota Statute § 471.59. The Commission's purpose is to provide for cooperative planning, usage, and improvement of the watershed drained by the nine member communities. The Commission is governed by a board consisting of nine commissioners, one appointed by each member city. The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

**B. 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, as described above, is considered a joint venture of the nine member cities, and is included as such in their financial statements.

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 includes whether or not the primary government appoints the voting majority of the potential component unit's 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.

**C. Government-Wide Financial Statements**

The government-wide financial statements (Statement of Net Assets and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the Commission. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) operating grants and contributions; and 3) capital grants and contributions. Other internally directed revenues are reported as general revenues.

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. Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. 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. The resources of the Commission are accounted for in two funds:

**General Fund** – The General Fund is the primary operating account of the Commission and is used to account for all financial resources except those required to be accounted for in another fund.

**Improvement Capital Projects Fund** – The Improvement Capital Projects Fund is used to account for resources set aside for the construction of improvements to the watershed. Its primary resources are a property tax levy and property tax credits and other aid paid by the state.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of this fund present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under this basis of accounting, transactions are recorded in the following manner:

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

### E. Budget

A budget for the General Fund is adopted annually by the Commission’s Board of Commissioners on a modified accrual basis of accounting. Budgetary control is at the fund level. All appropriations lapse at year-end.

### F. Investments

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

### G. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids. Prepaids are recorded as expenditures/expenses at the time of consumption.

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **H. Capital Assets**

The Commission has no capital assets. The Improvement Capital Projects Fund is used to construct holding ponds and other improvements to the drainage system within the watershed district. The improvements are to land belonging to the Commission's member communities, and are not capitalized by the Commission.

### **I. Property Taxes**

Property tax levies are set by the Commission in December, and are certified to Hennepin County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the Commission on that date. Property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. The county provides tax settlements to all taxing districts several times a year. Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable, and are offset by deferred revenue on the governmental funds financial statements.

A portion of the property taxes levied is paid by the state of Minnesota through various tax credits, which are included in state aid revenue in the financial statements.

### **J. 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. The 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 the 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 January 31, 2009.

## **NOTE 2 – DEPOSITS**

In accordance with applicable Minnesota Statutes, the Commission maintains deposits at depository banks authorized by its Board of Commissioners, including checking and savings accounts. Custodial credit risk is considered the most significant risk associated with deposits. 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 bonds, 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 – DEPOSITS (CONTINUED)

At year-end, the carrying amount of the Commission's deposits and the balance on the bank records was \$3,538,003. At January 31, 2009, deposits were fully covered by federal depository insurance or by collateral held by the Commission's agent in the Commission's name.

## NOTE 3 – TRANSFERS

The Commission transferred \$60,000 from the General Fund to the Improvement Capital Projects Fund to finance certain improvement projects. Interfund transfers are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

## NOTE 4 – RELATED PARTY TRANSACTIONS

The nine member cities support the Commission through annual contributions, which are computed using a formula based on the net tax capacity of all property within the watershed and the total area of each member city within the watershed as compared to the total area within the watershed. Contributions are assessed on a fiscal year basis. Contributions received in advance of the year to which they pertain are reported as unearned revenue in the year received.

Member contributions, unearned revenue, and permit revenue for the year ended January 31, 2009 were as follows:

	<u>Contributions</u>	<u>Unearned Revenue</u>	<u>Permit Revenue</u>
Crystal	\$ 24,756	\$ 24,067	\$ –
Golden Valley	115,413	112,052	1,000
Medicine Lake	3,290	3,298	–
Minneapolis	33,399	–	–
Minnetonka	21,545	23,031	1,000
New Hope	25,066	24,445	–
Plymouth	206,714	–	7,000
Robbinsdale	8,283	8,077	–
St. Louis Park	17,033	–	–
	<u>\$ 455,499</u>	<u>\$ 194,970</u>	<u>\$ 9,000</u>

OTHER REQUIRED REPORTS



PRINCIPALS

Kenneth W. Malloy, CPA  
Thomas M. Montague, CPA  
Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
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Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Bassett Creek Watershed Management Commission

We have audited the financial statements of the governmental activities and each major fund of the Bassett Creek Watershed Management Commission (the Commission) as of and for the year ended January 31, 2009, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Commission's internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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 over financial reporting that we consider to be material weaknesses as defined above.

(continued)

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Malloy, Montague, Karnowski, Radosenich & Co., P.A.*

April 16, 2009



PRINCIPALS

Kenneth W. Malloy, CPA  
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Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH MINNESOTA STATE LAWS AND REGULATIONS

Board of Commissioners  
Bassett Creek Watershed Management Commission

We have audited the financial statements of the governmental activities and each major fund of the Bassett Creek Watershed Management Commission (the Commission) as of and for the year ended January 31, 2009, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 16, 2009.

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 Office of 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 listed 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, except as noted in the Schedule of Findings and Responses.

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

*Malloy, Montague, Karnowski, Radosevich & Co., P.A.*

April 16, 2009

BASSETT CREEK WATERSHED  
MANAGEMENT COMMISSION

Schedule of Findings and Responses  
Year Ended January 31, 2009

This schedule summarizes findings and recommendations on compliance with Minnesota Statutes and other internal control and compliance findings. The auditor, Malloy, Montague, Karnowski, Radosevich & Co., P.A., is responsible for providing the information under the headings "Criteria," "Condition," "Questioned Costs," "Context," "Effect," "Cause," and "Recommendation." The Bassett Creek Watershed Management Commission (the Commission) is responsible for providing the information under the heading "Corrective Action Plan."

**FINDINGS AND RESPONSES**

**2009-1 CLAIMS AND DISBURSEMENTS**

**Criteria** – Minnesota Statute § 471.425.

**Condition** – Minnesota Statute § 471.425 requires Minnesota joint power organizations to pay each vendor obligation according to the terms of each contract within 45 days after the receipt of the goods or services or the invoice for the goods or services. We noted one item the Commission did not pay within the 45-day time period.

**Questioned Costs** – Not applicable.

**Context** – One out of ten disbursements tested was not in compliance. This is a prior year and current year finding.

**Effect** – A vendor payment was not paid within the time required by state statutes.

**Cause** – All general disbursement invoices are received at Barr Engineering or Golden Valley City Hall. Invoices are reviewed and approved by the Commission prior to payment. At times, payments are delayed due to the timing of when the invoices are received and the timing of when commission meetings are held.

**Recommendation** – We recommend that the Commission review claims and disbursement payment procedures in place to ensure future compliance with this statute.

**Corrective Action Plan**

**Actions Planned** – The Commission will review its internal payment authorization process and consider any necessary changes to assure this requirement is complied with in the future.

**Official Responsible** – Michael Welch, Chairperson.

**Planned Completion Date** – January 31, 2010.

**Disagreement With or Explanation of Finding** – The Commission has no disagreement with the finding.

**Plan to Monitor** – The Board of Commissioners will review future disbursements to assure they are being paid within the required 45-day time period.