



PRINCIPALS

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April 16, 2009

Board of Commissioners
Bassett Creek Watershed Management Commission

In connection with our audit of the Bassett Creek Watershed Management Commission (the Commission) for the year ended January 31, 2009, we submit the following for your information and consideration.

UNDERSTANDING THE AUDITOR'S RESPONSIBILITY

Our responsibility, as stated in our engagement letter and as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the Commission's financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, and not to provide assurance on the internal control over financial reporting.

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 grants, 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.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

AUDIT OPINION AND FINDINGS

- We have issued an unqualified opinion on the Commission's financial statements.
- We have reported no significant deficiencies or material weaknesses in internal controls.
- We have reported no instances of noncompliance 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.
- Our report includes one noncompliance finding with Minnesota laws and regulations. Three payments selected for testing were not paid within 35 days after the receipt of the goods or services or the invoice for the goods or services, as required by Minnesota Statute § 471.425.

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

SIGNIFICANT ACCOUNTING POLICIES

The Commission's accounting policies follow accounting principles generally accepted in the United States of America, as explained in detail in Note 1 of the notes to basic financial statements. During the year ended January 31, 2009, the Commission made no significant changes to its accounting policies.

AUDIT ADJUSTMENTS

Our audit was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. In addition, we are obligated by auditing standards generally accepted in the United States of America to inform you of any adjustments arising from the audit that could, in our judgment, either individually or in the aggregate, have a significant effect on the Commission's financial reporting process. All proposed audit adjustments (whether recorded or uncorrected) were reviewed with management and were determined, individually or in the aggregate, not to have a significant effect on the financial reporting process. In addition, we are not aware of any misstatements which have not been corrected by management.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated April 16, 2009.

OTHER MATTERS

Statement on Auditing Standards No. 61 also requires communications to the Board of Commissioners in the following areas:

- Accounting estimates and management judgments
- Other information in documents containing audited financial statements
- Disagreements with management
- Consultations with other accountants
- Major issues discussed with management prior to retention as auditors
- Difficulties encountered in performing the audit

During our audit, we did not encounter any circumstances and we are unaware of any items in any of these areas which require discussion with those who have responsibility for oversight of the financial reporting process.

This report is intended solely for the information and use of those who have responsibility for oversight of the financial reporting process.

Sincerely,

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



William J. Lauer, CPA
Principal

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