

CEDAR RIVER WATERSHED DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

**CEDAR RIVER WATERSHED DISTRICT
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DECEMBER 31, 2009**

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CEDAR RIVER WATERSHED DISTRICT

BOARD OF MANAGERS

Mr. Steve Kraushaar	Chair	Glenville, MN
Mr. Harlan Peck	Vice Chair	Austin, MN
Mr. Al Layman	Secretary	Austin, MN
Mr. Mike Jones	Treasurer	Blooming Prairie, MN
Mr. Dan Regner	Manager	Austin, MN
Mr. Jim Gebhardt	Manager	Waltham, MN
Mr. Al Kording	Manager	Hayfield, MN

INDEPENDENT AUDITORS' REPORT

Board of Managers
Cedar River Watershed District
Austin, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cedar River Watershed District for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cedar River Watershed District's management. 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Cedar River Watershed District, as of December 31, 2009, and the respective changes in financial position, thereof, and the respective 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 Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Cedar River Watershed District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

LarsonAllen LLP

LarsonAllen LLP

Austin, Minnesota
May 27, 2010

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FINANCIAL STATEMENTS

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**CEDAR RIVER WATERSHED DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	2009 Governmental Activities
ASSETS	
Cash	\$ 173,125
Taxes Receivable	
Current	3,152
Delinquent	7,284
Due from State of Minnesota	25,789
Notes Receivable	30,000
Total Assets	239,350
LIABILITIES	
Accounts Payable	3,096
Due to Other Governments	29,823
Total Liabilities	32,919
NET ASSETS	
Unrestricted	206,431
Total Net Assets	\$ 206,431

See accompanying Notes to Financial Statements.

**CEDAR RIVER WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009**

2009					Net (Expense) Revenue and Changes in Net Assets
Functions	Expenses	Program Revenues		Capital Grants and Contributions	Total Governmental Activities
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
General Government	\$ 220,509	\$ -	\$ 50,558	\$ -	\$ (169,951)
Total	\$ 220,509	\$ -	\$ 50,558	\$ -	(169,951)
General Revenues:					
Property Taxes Levied for:					
General Purposes					224,323
State Aid Not Restricted to Specific Purposes					27,466
Total General Revenues					251,789
Change in Net Assets					81,838
Net Assets - Beginning					124,593
Net Assets - Ending					\$ 206,431

See accompanying Notes to Financial Statements.

**CEDAR RIVER WATERSHED DISTRICT
BALANCE SHEET
DECEMBER 31, 2009**

	<u>General Fund</u>
ASSETS	
Cash	\$ 173,125
Taxes Receivable	
Current	3,152
Delinquent	7,284
Due from State of Minnesota	25,789
Notes Receivable	30,000
Total Assets	<u>239,350</u>
LIABILITIES	
Accounts Payable	3,096
Due to Other Governments	29,823
Deferred Revenue	7,284
Total Liabilities	<u>40,203</u>
FUND BALANCE	
Reserved	30,000
Unreserved	
Designated	71,000
Undesignated	98,147
Total Fund Balance	<u>199,147</u>
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
 Some of the district's property taxes will be collected subsequent to year-end but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred in the governmental funds.	
	<u>7,284</u>
Net Assets of Governmental Activities	<u><u>\$ 206,431</u></u>

See accompanying Notes to Financial Statements.

**CEDAR RIVER WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2009**

	General Fund
REVENUES	
Taxes	\$ 222,203
State Revenue	
MPCA	50,558
Property Tax Credits	27,466
Total Revenues	300,227
EXPENDITURES	
SWCD- Admin Services	60,000
Water Monitoring	52,990
Watershed Management Plan	28,539
Maps & Data	25,000
TMDL Staffing	11,255
Manager Compensation	9,000
Legal Fees	6,743
Feasibility Study	6,000
Engineering - General	3,233
Manager Expenses	2,687
Professional Fees	2,639
MAWD Sponsored Mtgs/Training	2,456
Audit Expense	2,300
Dues	2,000
Insurance & Bond	1,917
Misc Expenses- Admin	904
Newsletter	883
Office Supplies	632
Building Rent	600
Postage	346
Training & Education	260
Staff Expenses	110
Website	15
Total Expenditures	220,509
Net Change in Fund Balance	79,718
Fund Balances - Beginning	119,429
Fund Balance - Ending	\$ 199,147
Net Change in Fund Balance	\$ 79,718
Amounts reported for governmental activities in the Statement of Activities are different because:	
Delinquent property tax receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds.	
Deferred Revenue - December 31, 2008	(5,164)
Deferred Revenue - December 31, 2009	7,284
Changes in Net Assets of Governmental Activities	\$ 81,838

See accompanying Notes to Financial Statements.

**CEDAR RIVER WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (BUDGET TO ACTUAL)
YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Over (Under)
	Original	Final		Final Budget
REVENUES				
Taxes	\$ 250,000	\$ 250,000	\$ 222,203	\$ (27,797)
State Revenues	46,680	46,680	78,024	31,344
Total Revenues	<u>296,680</u>	<u>296,680</u>	<u>300,227</u>	<u>3,547</u>
EXPENDITURES				
SWCD- Admin Services	60,000	60,000	60,000	-
Water Monitoring	46,680	46,680	52,990	6,310
Watershed Management Plan	35,000	35,000	28,539	(6,461)
Watershed Projects	38,000	38,000	-	(38,000)
Maps & Data	13,500	13,500	25,000	11,500
TMDL Staffing	12,000	12,000	11,255	(745)
Manager Compensation	15,000	15,000	9,000	(6,000)
Legal Fees	8,400	8,400	6,743	(1,657)
Feasibility Study	7,500	7,500	6,000	(1,500)
Engineering - General	15,000	15,000	3,233	(11,767)
Manager Expenses	6,000	6,000	2,687	(3,313)
Professional Fees	2,000	2,000	2,639	639
MAWD Sponsored Mtgs/Training	10,000	10,000	2,456	(7,544)
Audit Expense	3,000	3,000	2,300	(700)
Dues	2,500	2,500	2,000	(500)
Insurance & Bond	2,000	2,000	1,917	(83)
Equipment	1,000	1,000	-	(1,000)
Misc Expenses- Admin	1,500	1,500	904	(596)
Newsletter	-	-	883	883
Office Supplies	1,000	1,000	632	(368)
Building Rent	600	600	600	-
Postage	1,000	1,000	346	(654)
Training & Education	4,000	4,000	260	(3,740)
Public Information and Education	5,000	5,000	-	(5,000)
Advisory Committee Expenses	4,000	4,000	-	(4,000)
Staff Expenses	2,000	2,000	110	(1,890)
Website	-	-	15	15
Total Expenditures	<u>296,680</u>	<u>296,680</u>	<u>220,509</u>	<u>(76,171)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	79,718	<u>\$ 79,718</u>
Fund Balances - Beginning			<u>119,429</u>	
Fund Balance - Ending			<u>\$ 199,147</u>	

See accompanying Notes to Financial Statements.

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**CEDAR RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Cedar River Watershed District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

Financial Reporting Entity

Cedar River Watershed District was formed on May 3, 2007 and operates pursuant to applicable Minnesota laws and regulations.

The governing body consists of a seven member Board. Four members are appointed by the Mower County Board of Commissioners, one member by the Steele County Board of Commissioners, one member by the Dodge County Board of Commissioners, and one member by the Freeborn County Board of Commissioners.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the District's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all fund and account groups of the District. There are no other entities for which the District is financially accountable.

Basic Financial Statement Presentation

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize the primary activity as governmental. Governmental activities are supported by taxes and intergovernmental revenues.

Government-wide financial statements report information about the reporting government as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net of Assets and the Statement of Activities.

**CEDAR RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statement Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Currently, the District has only one governmental fund.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. Property tax revenue is generally considered available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Investment earnings are recorded when earned because they are measurable and available. A six-month is availability period is generally used for other fund revenue.
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.

**CEDAR RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

The District reports deferred revenue on its balance sheet. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the District has legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The District reports the following major governmental fund:

General Fund – This is the District’s primary operating fund. It accounts for all financial resources of the District.

Property Taxes

Current taxes receivable at December 31, 2009 represent taxes currently remitted by each respective County Auditor. Delinquent taxes receivable consist of tax levies collectible in 2009 and prior years and are offset by deferred revenues in the governmental fund financial statements.

Property taxes are formally levied in December each year and are certified to each respective County for collection in the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through state credits which are included in revenue from state sources in the financial statements.

Due from State of Minnesota

Represents market value credits for 2009 property taxes and reimbursement from the State for expenditures related to the District’s Surface Water Assessment Grant.

Deferred Revenues

Deferred revenues are those revenues where asset recognition criteria have been met but for which revenue recognition criteria have not been met. Deferred revenues have been reported in the General fund for delinquent taxes.

Reserved and Designated Fund Balance

Reservation of the fund balance indicates that a portion of the fund balance is not appropriate for future expenditures or is legally segregated for a specific future use. Designation of fund balance reflects a tentative plan for future use of funds. The following is a summary of the reserved and designated fund balances:

Reserved for Note Receivable - The reserve is for the amount due from Red Rock Township.

Designated – A designation of \$71,000 of the General Fund has been made by the District. Designation of a fund balance reflects tentative plans for future use of the funds. The funds have been designated for future watershed projects.

**CEDAR RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

NOTE 2 BUDGETARY INFORMATION

An annual budget is adopted for the General fund. Any modifications in the adopted budget can be made upon request of and approval by the Board of Managers. All annual appropriations lapse at fiscal year end.

NOTE 3 DEPOSITS

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The District's deposits in the financial institution at December 31, 2009 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

NOTE 4 NOTES RECEIVABLE

During 2009, the District advanced 30,000 to Red Rock Township for the purpose of providing funds to complete a community waste water system. The note bears zero percent interest and is due June 11, 2010.

NOTE 5 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors, and omissions; and natural disasters. The District has purchased commercial insurance to handle any loss arising from various risks. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage during the year.

**CEDAR RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 6 RELATED PARTY TRANSACTIONS

Management Services

The District has a contractual arrangement with Mower Soil Water Conservation District (SWCD), under which SWCD provides an administrator, financial services and TMDL workload to the District. This arrangement does not alter the authority or responsibility of the Board of Managers of the District. Amounts paid to SWCD for the services described above for the year ended December 31, 2009, were \$105,368.

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COMPLIANCE LETTER

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REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Managers
Cedar River Watershed District
Austin, Minnesota

We have audited the financial statements of the Cedar River Watershed District for the year ended December 31, 2009, and have issued our report thereon dated May 27, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government, promulgated by the State Auditor pursuant to Minn. Stat. §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 Government covers six main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and county and city miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the Cedar River Watershed District complied with the material terms and conditions of applicable legal provisions, except as noted in the accompanying Schedule of Findings.

This report is intended solely for the information and use of the Board of Managers of the Cedar River Watershed District, the Office of the State Auditor, and is not intended to be and should not be used by anyone other than the specified parties.



LarsonAllen LLP

Austin, Minnesota
May 27, 2010

**CEDAR RIVER WATERSHED DISTRICT
SCHEDULE OF FINDINGS
DECEMBER 31, 2009**

FINDING: 2009-1 MINNESOTA LEGAL COMPLIANCE – DECLARATION FOR PAYMENT

Condition: Minnesota State Statute requires each declaration for payment to be signed to the effect that such account, claim, or demand is just and correct and that no part of it has been paid.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District will acquire a stamp with the appropriate language.

Official Responsible for Ensuring CAP:

Bev Nordby, Administrator is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

June 30, 2010.

Plan to Monitor Completion of CAP:

The Board of Managers will be monitoring this corrective action plan.