

CEDAR RIVER WATERSHED DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

**CEDAR RIVER WATERSHED DISTRICT
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DECEMBER 31, 2011**

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CEDAR RIVER WATERSHED DISTRICT

BOARD OF MANAGERS

Mr. Al Layman	President	Austin, MN
Mr. Mike Merten	Vice President	Austin, MN
Mr. Kevin Kiser	Secretary	Blooming Prairie, MN
Mr. Mike Jones	Treasurer	Blooming Prairie, MN
Mr. Harlen Peck	Manager	Austin, MN
Mr. Jim Gebhardt	Manager	Waltham, MN
Mr. Steve Kraushaar	Manager	Glenville, MN



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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, 2011, 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 opinions 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, 2011, 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.

As described in the notes to the financial statements, the Cedar River Watershed District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. This statement results in the District reporting unassigned fund balance.

Board of Managers
Cedar River Watershed District

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the 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. Our opinion on the basic financial statements is not affected by this missing information.

Clifton Larson Allen LLP
CliftonLarsonAllen LLP

Austin, Minnesota
May 30, 2012

FINANCIAL STATEMENTS

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**CEDAR RIVER WATERSHED DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	<u>2011</u>
	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 519,137
Taxes Receivable	
Delinquent	9,291
Total Assets	<u>528,428</u>
LIABILITIES	
Unearned Reduction Grant Revenue	<u>143,486</u>
NET ASSETS	
Unrestricted	<u><u>\$ 384,942</u></u>

See accompanying Notes to Financial Statements.

**CEDAR RIVER WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

2011					Net (Expense) Revenue and Changes in Net Assets
Functions	Expenses	Program Revenues			Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 174,343	\$ -	\$ 3,750	\$ -	\$ (170,593)
Total	\$ 174,343	\$ -	\$ 3,750	\$ -	(170,593)
General Revenues:					
Property Taxes Levied for:					
General Purposes					202,286
State Aid Not Restricted to Specific Purposes					22,807
Earnings on Investments					2,089
Other					1,134
Total General Revenues					228,316
Change in Net Assets					57,723
Net Assets - Beginning					327,219
Net Assets - Ending					\$ 384,942

See accompanying Notes to Financial Statements.

**CEDAR RIVER WATERSHED DISTRICT
BALANCE SHEET
DECEMBER 31, 2011**

	<u>General Fund</u>
ASSETS	
Cash	\$ 519,137
Taxes Receivable	
Delinquent	9,291
Total Assets	<u>\$ 528,428</u>
LIABILITIES	
Deferred Revenue	<u>\$ 149,274</u>
Total Liabilities	149,274
FUND BALANCE	
Unassigned	<u>379,154</u>
Total Fund Balance	379,154

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>5,788</u>
Net Assets of Governmental Activities	<u>\$ 384,942</u>

**CEDAR RIVER WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2011**

	General Fund
REVENUES	
Taxes	\$ 203,488
State Revenue	
Property Tax Credits	22,807
CWF Runoff Reduction Grant	3,750
Interest Income	2,089
Insurance Dividend	1,081
Refunds	53
Total Revenues	233,268
EXPENDITURES	
SWCD- Admin Services	65,000
Water Monitoring	15,535
Watershed Management Plan	28,009
Manager Compensation	9,043
Legal Fees	9,591
Engineering - General	19,357
Engineering - Technical Services	3,619
Watershed Projects	7,420
Manager Expenses	1,388
Professional Fees	184
Audit Expense	2,733
Dues	2,061
Insurance and Bond	2,109
Misc Expenses- Administrative	800
Newsletter	3,780
Office Supplies	463
Building Rent	600
Postage	800
Workers Compensation	783
Training and Education	645
Public Information and Education	393
Website	30
Total Expenditures	174,343
Net Change in Fund Balance	58,925
Fund Balances - Beginning	320,229
Fund Balance - Ending	\$ 379,154
Net Change in Fund Balance	\$ 58,925
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, 2010	(6,990)
Deferred Revenue - December 31, 2011	5,788
Changes in Net Assets of Governmental Activities	\$ 57,723

See accompanying Notes to Financial Statements.

**CEDAR RIVER WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 225,000	\$ 225,000	\$ 203,488	\$ (21,512)
State Revenues	163,596	163,596	26,557	(137,039)
Interest Income	20,000	20,000	2,089	(17,911)
Insurance Dividend	-	-	1,081	1,081
Refunds	-	-	53	53
Total Revenues	<u>408,596</u>	<u>408,596</u>	<u>233,268</u>	<u>(175,328)</u>
EXPENDITURES				
SWCD- Admin Services	65,000	65,000	65,000	-
Water Monitoring	16,004	16,004	15,535	(469)
Watershed Management Plan	-	-	28,009	28,009
Manager Compensation	10,000	10,000	9,043	(957)
Legal Fees	5,500	5,500	9,591	4,091
Engineering - General	15,000	15,000	19,357	4,357
Engineering - Technical Services	40,000	40,000	3,619	(36,381)
Watershed Projects	229,242	229,242	7,420	(221,822)
Manager Expenses	4,000	4,000	1,388	(2,612)
Professional Fees	3,000	3,000	184	(2,816)
MAWD Sponsored Mtgs/Training	3,000	3,000	-	(3,000)
Audit Expense	3,000	3,000	2,733	(267)
Dues	2,500	2,500	2,061	(439)
Insurance and Bond	2,500	2,500	2,109	(391)
Equipment	1,000	1,000	-	(1,000)
Misc Expenses- Administrative	1,000	1,000	800	(200)
Newsletter	-	-	3,780	3,780
Office Supplies	1,000	1,000	463	(537)
Building Rent	600	600	600	-
Postage	1,000	1,000	800	(200)
Workers Compensation	750	750	783	33
Training and Education	1,000	1,000	645	(355)
Public Information and Education	12,000	12,000	393	(11,607)
Advisory Committee Expenses	1,000	1,000	-	(1,000)
Website	-	-	30	30
Staff Expenses	500	500	-	(500)
Total Expenditures	<u>418,596</u>	<u>418,596</u>	<u>174,343</u>	<u>(244,253)</u>
Net Change in Fund Balances	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	58,925	<u>\$ 68,925</u>
Fund Balances - Beginning			<u>320,229</u>	
Fund Balance - Ending			<u>\$ 379,154</u>	

See accompanying Notes to Financial Statements.

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**CEDAR RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 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, 2011**

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 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, 2011**

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, 2011 represent taxes currently remitted by each respective County Auditor. Delinquent taxes receivable consist of tax levies collectible in 2011 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.

Fund Balance

At December 31, 2011, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned. The District currently does not report any nonspendable fund balances. Restricted fund balances are constrained by outside parties (statute, grantors, bond agreements, etc.). The District currently does not report any restricted fund balances. Committed fund balances represent constraints on spending that the District imposes upon itself by high-level formal action prior to the close of the fiscal period. The District currently does not report any committed fund balance. The District Board of Managers authorizes all assigned fund balances and their intended uses. The District currently does not report any assigned fund balance. Unassigned fund balances are considered the remaining amounts.

**CEDAR RIVER WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

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 financial institutions at December 31, 2011 were entirely covered by federal depository insurance or by surety bond and collateral in accordance with Minnesota Statutes.

NOTE 4 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, 2011**

NOTE 5 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, 2011, were \$80,815.

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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, 2011, and have issued our report thereon dated May 30, 2012.

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 Political Subdivisions, 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 Political Subdivisions covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing, 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.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
May 30, 2012

