

**CEDAR RIVER WATERSHED DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**



**CEDAR RIVER WATERSHED DISTRICT  
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DECEMBER 31, 2013**

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**CEDAR RIVER WATERSHED DISTRICT**

**BOARD OF MANAGERS**

Mr. Mike Merten	Chairman	Austin, MN
Ms. Susan Olson	Vice Chairman	Austin, MN
Mr. Jason Weis	Secretary	Rose Creek, MN
Mr. Mike Jones	Treasurer	Blooming Prairie, MN
Mr. Steve Kraushaar	Manager	Glenville, MN
Mr. Jim Gebhardt	Manager	Waltham, MN
Mr. Kevin Kiser	Manager	Blooming Prairie, MN



## INDEPENDENT AUDITORS' REPORT

Board of Managers  
Cedar River Watershed District  
Austin, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Cedar River Watershed District, State of Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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. Management is also responsible for 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.

### **Auditors' Responsibility**

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 from 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 auditors' 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 District'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 District'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 basis for our audit opinions.

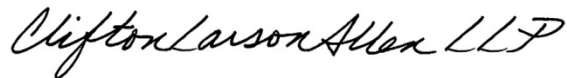
Board of Managers  
Cedar River Watershed District

**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 Cedar River Watershed District, State of Minnesota, as of December 31, 2013, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
June 23, 2014



## **FINANCIAL STATEMENTS**

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**CEDAR RIVER WATERSHED DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

	2013
	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 480,411
Taxes Receivable	10,380
Due from Other Governments	6,401
Other Receivables	2,640
Capital Assets, Net of Depreciation	
Nondepreciable	38,386
Depreciable	1,042
Total Assets	539,260
<b>LIABILITIES</b>	
Accounts Payable	20,984
Unearned Grant Revenue	59,275
Total Liabilities	80,259
<b>NET POSITION</b>	
Investment in Capital Assets	39,428
Unrestricted	419,573
Total Net Position	\$ 459,001

See accompanying Notes to Financial Statements.

**CEDAR RIVER WATERSHED DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2013**

2013					
Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities:</b>					
General Government	\$ 348,679	\$ -	\$ 125,846	\$ -	\$ (222,833)
Total	\$ 348,679	\$ -	\$ 125,846	\$ -	(222,833)
<b>General Revenues:</b>					
Property Taxes Levied for:					
General Purposes					249,591
State Aid Not Restricted to Specific Purposes					2,404
Earnings on Investments					1,040
Other					11,149
Total General Revenues					264,184
Change in Net Position					41,351
Net Position - Beginning					417,650
Net Position - Ending					\$ 459,001

See accompanying Notes to Financial Statements.

**CEDAR RIVER WATERSHED DISTRICT  
BALANCE SHEET  
DECEMBER 31, 2013**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 480,411
Taxes Receivable	10,380
Due from Other Governments	6,401
Other Receivables	2,640
Total Assets	<u>\$ 499,832</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 20,984
Unearned Revenue	59,275
Total Liabilities	<u>80,259</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue	<u>5,653</u>
 <b>FUND BALANCE</b>	
Unassigned	<u>413,920</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 499,832</u>
Total Fund Balance	\$ 413,920
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:	
Easements	38,386
Equipment, Net of Accumulated Depreciation	1,042
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 unavailable in the governmental funds.	<u>5,653</u>
Net Position of Governmental Activities	<u>\$ 459,001</u>

See accompanying Notes to Financial Statements.

**CEDAR RIVER WATERSHED DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2013**

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 249,394
State Revenue	
Property Tax Credits	2,404
CWF Basin Pass Thru	20,270
CWF Runoff Reduction Grant	99,106
Miscellaneous	6,888
Interest Income	1,040
Permitting Revenue	3,120
Insurance Dividend	1,141
Total Revenues	<u>383,363</u>
<b>EXPENDITURES</b>	
SWCD- Admin Services	65,000
Water Monitoring	10,962
Maps & Data	1,902
Manager Compensation	5,813
Legal Fees	2,321
Engineering - General	15,574
Engineering - Technical Services	34,487
Engineering - H & H Model - CRWD	11,947
Watershed Projects	196,187
CRP Incentive Program	14,325
Manager Expenses	1,354
Audit Expense	2,738
Dues	3,114
Insurance and Bond	1,995
Equipment	451
Misc Expenses- Administrative	488
Public Outreach	4,640
Office Supplies	585
Postage	600
Workers Compensation	636
Training and Education	1,007
Public Information and Education	3,201
Staff Expenses	203
Copier Agreement	207
Bank Charges	25
Total Expenditures	<u>379,762</u>
Net Change in Fund Balance	3,601
Fund Balances - Beginning	<u>410,319</u>
Fund Balance - Ending	<u><u>\$ 413,920</u></u>

See accompanying Notes to Financial Statements.

**CEDAR RIVER WATERSHED DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2013**

**Net Change in Fund Balance - Governmental Fund** \$ 3,601

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlays	31,916
Contributed Easement	6,470
Depreciation Expense	(833)

Delinquent property taxes 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 unavailable in the governmental funds.

Deferred Revenue - December 31, 2012	(5,456)
Deferred Revenue - December 31, 2013	5,653

**Changes in Net Position of Governmental Activities** \$ 41,351

**CEDAR RIVER WATERSHED DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 250,000	\$ 250,000	\$ 249,394	\$ (606)
State Revenues	382,716	382,716	121,780	(260,936)
Miscellaneous	2,000	2,000	6,888	4,888
Interest Income	-	-	1,040	1,040
Permitting Revenue	-	-	3,120	3,120
Insurance Dividend	-	-	1,141	1,141
Total Revenues	634,716	634,716	383,363	(251,353)
<b>EXPENDITURES</b>				
SWCD- Admin Services	65,000	65,000	65,000	-
Water Monitoring	16,004	16,004	10,962	(5,042)
Maps & Data	-	-	1,902	1,902
Manager Compensation	10,000	10,000	5,813	(4,187)
Legal Fees	8,500	8,500	2,321	(6,179)
Engineering - General	15,000	15,000	15,574	574
Engineering - Technical Services	30,000	30,000	34,487	4,487
Engineering - H & H Model - CRWD	5,000	5,000	11,947	6,947
Watershed Projects	418,166	418,166	196,187	(221,979)
CRP Incentive Program	35,000	35,000	14,325	(20,675)
Manager Expenses	3,346	3,346	1,354	(1,992)
Professional Fees	1,000	1,000	-	(1,000)
MAWD Sponsored Mtgs/Training	3,000	3,000	-	(3,000)
Audit Expense	3,000	3,000	2,738	(262)
Dues	2,500	2,500	3,114	614
Insurance and Bond	2,500	2,500	1,995	(505)
Equipment	700	700	451	(249)
Misc Expenses- Administrative	800	800	488	(312)
Public Outreach	8,000	8,000	4,640	(3,360)
Office Supplies	750	750	585	(165)
Building Rent	600	600	-	(600)
Postage	1,000	1,000	600	(400)
Workers Compensation	800	800	636	(164)
Training and Education	750	750	1,007	257
Public Information and Education	2,000	2,000	3,201	1,201
Advisory Committee Expenses	500	500	-	(500)
Staff Expenses	500	500	203	(297)
Copier Agreement	300	300	207	(93)
Bank Charges	-	-	25	25
Total Expenditures	634,716	634,716	379,762	(254,954)
Net Change in Fund Balances	\$ -	\$ -	3,601	\$ 3,601
Fund Balances - Beginning			410,319	
Fund Balance - Ending			\$ 413,920	

See accompanying Notes to Financial Statements.



**CEDAR RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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 Position and the Statement of Activities.

**CEDAR RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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 position is 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, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus and Basis of Accounting (Continued)**

The District reports unearned revenue on its balance sheet. Unearned revenues 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 revenue recognition criteria are met or when the District has legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from delinquent taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

**Capital Assets**

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation. Capital assets are defined by the District as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add value or capacity of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded the Statement of Net Position but not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their useful lives. Useful lives vary from 3 to 10 years for equipment.

**Intangible Assets**

Intangible are recorded at historical cost or estimated historical cost if purchased. Donated intangible are recorded at estimated fair market value as of the date of the donation. Intangible assets are recorded in the Statement of Net Position but not reported in the fund financial statements. Currently the District has easements, which are not depreciated as they have an indefinite life.

**Property Taxes**

Taxes receivable at December 31, 2013 represent tax levies collectible in 2013 and prior years and are offset by deferred revenues in the governmental fund financial statements.

**CEDAR RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property Taxes (Continued)**

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**

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.

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 Position**

Net position represents the difference between assets and liabilities in the Entity-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to acquire the capital assets. Net position reported as restricted in the Entity-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**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.

**CEDAR RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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, 2013 were not entirely covered by federal depository insurance or by surety bond and collateral in accordance with Minnesota Statutes. The District did not meet the required coverage of 110% by \$605.

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013 was as follows:

	January 1, 2013	Additions	Retirements	December 31, 2013
Capital Assets, Not Being Depreciated:				
Easements	\$ -	\$ 38,386	\$ -	\$ 38,386
Capital Assets, Being Depreciated:				
Equipment	2,500	-	-	2,500
Accumulated Depreciation	625	833	-	1,458
Total Capital Assets, Being Depreciated, Net	<u>1,875</u>	<u>(833)</u>	<u>-</u>	<u>1,042</u>
Capital Assets, Net	<u>\$ 1,875</u>	<u>\$ 37,553</u>	<u>\$ -</u>	<u>\$ 39,428</u>

**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.

**NOTE 6 RELATED PARTY TRANSACTIONS**

**Management Services**

The District has a contractual arrangement with Mower Soil and Water Conservation District (SWCD), under which SWCD provides an administrator, financial services, monitoring and technical and permitting assistance 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, 2013, were \$112,709.

The District paid for various services in the amount of \$5,901, which are to be reimbursed by SWCD.

**CEDAR RIVER WATERSHED DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 7    COMMITMENTS AND CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

## **COMPLIANCE LETTER**

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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Managers  
Cedar River Watershed District  
Austin, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities and the major fund of the Cedar River Watershed District, State of Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated June 23, 2014.

The Minnesota Legal Compliance Audit Guide for Political Subdivisions covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, county and city miscellaneous provisions, and tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that the Cedar River Watershed District, State of Minnesota failed to comply the provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions, except as noted in the Schedule of Findings and Responses. However, our audit is 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 Cedar River Watershed District, State of Minnesota's noncompliance with the above-referenced provisions.

The Cedar River Watershed District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Cedar River Watershed District's responses and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
June 23, 2014

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**CEDAR RIVER WATERSHED DISTRICT, STATE OF MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2013**

**FINDING: 2013-1                    UNCOLLATERALIZED DEPOSITS**

Minnesota State Statute 118A.003 requires the District to have deposits in excess of FDIC or FSLIC insurance protected by a bond or collateral of which market value should be at least ten percent more than the excess deposits. The District did not have adequate collateral for its deposits at June 30, 2013 and December 31, 2013.

**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 implement procedures to ensure that the District's deposits remain fully collateralized.

**Official Responsible for Ensuring CAP**

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

**Planned Completion Date for CAP**

The completion date is immediately.

**Plan to Monitor Completion of CAP**

The board of managers will be monitoring this corrective action plan.

**CEDAR RIVER WATERSHED DISTRICT, STATE OF MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2013**

**FINDING: 2013-2                      TIMELY PAYMENT OF BILLS**

Minnesota State Statute 471.425, subdivision 2, requires prompt payment of local government bills. Payment is required within the contract period or the standard payment period of 35 days from receipt of the invoice. If payment is not made within this period, the government entity must voluntarily pay interest on those bills not paid in a timely manner. The interest rate is 1 ½ percent per month or part of a month. We noted two invoices out of a sample of 25 in which payment was not made within 35 days.

**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 implement procedures to ensure that the District's bills are paid timely.

**Official Responsible for Ensuring CAP**

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

**Planned Completion Date for CAP**

The completion date is immediately.

**Plan to Monitor Completion of CAP**

The board of managers will be monitoring this corrective action plan.