

Clearwater River Watershed District  
Annandale, Minnesota

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Clearwater River Watershed District  
Annandale, Minnesota

District Officials  
December 31, 2010

<u>Board of Managers</u>	<u>Position</u>	<u>Term Expires</u>
Marvin Brunsell	Chairman	August 13, 2011
Jerome Risberg	Vice Chairman	August 13, 2011
Mark Kampa	Secretary	August 13, 2012
Robert Schiefelbein	Treasurer	August 13, 2012
Roland Froyen	Public Relations	August 13, 2013

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## **BURKHARDT & BURKHARDT, Ltd.**

**Certified Public Accountants**

Web Site: [www.burkhardtlltd.com](http://www.burkhardtlltd.com)

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### **Independent Auditor's Report**

Board of Managers  
Clearwater River Watershed District  
Annandale, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Clearwater River Watershed District, as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the 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.

The Clearwater River Watershed District has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Clearwater River Watershed District as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 27 through 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clearwater River Watershed District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Burkhardt & Burkhardt, Ltd  
Mankato, Minnesota

July 11, 2011

Clearwater River Watershed District  
Annandale, Minnesota

Statement of Net Assets  
December 31, 2010

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 747,725	\$ 115,362	\$ 863,087
Receivables:			
Accounts	0	27,571	27,571
Property taxes	20,134	0	20,134
Interest	2,031	0	2,031
Prepaid expenses	3,068	1,063	4,131
Capital Assets:			
Land	118,347	35,400	153,747
Equipment	6,781	0	6,781
Project costs	8,965	0	8,965
Sanitary systems	0	2,142,041	2,142,041
Total Capital Assets	134,093	2,177,441	2,311,534
Less: accumulated depreciation	(1,130)	(568,407)	(569,537)
Net Capital Assets	132,963	1,609,034	1,741,997
 Total Assets	 \$ 905,921	 \$ 1,753,030	 \$ 2,658,951
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable	\$ 26,228	\$ 2,572	\$ 28,800
Deferred revenue	68,886	0	68,886
Total Liabilities	95,114	2,572	97,686
Net Assets:			
Invested in capital assets, net of related debt	132,963	1,609,034	1,741,997
Unrestricted	677,844	141,424	819,268
Total Net Assets	810,807	1,750,458	2,561,265
 Total Liabilities and Net Assets	 \$ 905,921	 \$ 1,753,030	 \$ 2,658,951

The Notes to the Financial Statements are an Integral part of this Statement

Clearwater River Watershed District  
Annandale, Minnesota

Statement of Activities  
For the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Totals
<b>GOVERNMENTAL ACTIVITIES:</b>							
General government	\$ 213,537	\$ 0	\$ 0	\$ 0	\$ (213,537)	\$ 0	\$ (213,537)
Special revenue	240,161	78,722	8,231	0	(153,208)	0	(153,208)
Capital projects	<u>13,524</u>	<u>36,984</u>	<u>0</u>	<u>0</u>	<u>23,460</u>	<u>0</u>	<u>23,460</u>
Total Governmental activities	<u>467,222</u>	<u>115,706</u>	<u>8,231</u>	<u>0</u>	<u>(343,285)</u>	<u>0</u>	<u>(343,285)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Sanitary system	<u>137,590</u>	<u>84,349</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(53,241)</u>	<u>(53,241)</u>
Total Primary Government	<u>\$ 604,812</u>	<u>\$ 200,055</u>	<u>\$ 8,231</u>	<u>\$ 0</u>	<u>(343,285)</u>	<u>(53,241)</u>	<u>(396,526)</u>
General Revenues:							
Property taxes					250,410	0	250,410
State aid					80,815	0	80,815
Interest and investments earnings					14,932	3,542	18,474
Miscellaneous					<u>7,734</u>	<u>724</u>	<u>8,458</u>
Total General Revenues					<u>353,891</u>	<u>4,266</u>	<u>358,157</u>
Changes in Net Assets					10,606	(48,975)	(38,369)
Net Assets - Beginning					<u>800,201</u>	<u>1,799,433</u>	<u>2,599,634</u>
Net Assets - Ending					<u>\$ 810,807</u>	<u>\$ 1,750,458</u>	<u>\$ 2,561,265</u>

The Notes to the Financial Statements are an Integral part of this Statement

Clearwater River Watershed District  
Annandale, Minnesota

Balance Sheet - Governmental Funds  
December 31, 2010

	Special Revenue					Other Governmental Funds	Total Governmental Funds
	General	Data Acquisition	Operations & Maintenance	Clearwater Milfoil	Willow Creek Storm Water		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 486,231	\$ (34,937)	\$ 257,682	\$ 43,895	\$ 6,728	\$ (11,874)	\$ 747,725
Property taxes receivable	20,100	34	0	0	0	0	20,134
Interest receivable	2,031	0	0	0	0	0	2,031
Prepaid expenses	<u>3,068</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,068</u>
Total Assets	<u>\$ 511,430</u>	<u>\$ (34,903)</u>	<u>\$ 257,682</u>	<u>\$ 43,895</u>	<u>\$ 6,728</u>	<u>\$ (11,874)</u>	<u>\$ 772,958</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities							
Accounts payable	\$ 11,877	\$ 9,702	\$ 43	\$ 0	\$ 263	\$ 4,343	\$ 26,228
Deferred revenue	<u>16,248</u>	<u>34</u>	<u>30,921</u>	<u>20,371</u>	<u>0</u>	<u>17,593</u>	<u>85,167</u>
Total Liabilities	<u>28,125</u>	<u>9,736</u>	<u>30,964</u>	<u>20,371</u>	<u>263</u>	<u>21,936</u>	<u>111,395</u>
Fund Balances:							
Reserved:							
Special revenue funds	0	(44,639)	226,718	23,524	6,465	(13,893)	198,175
Capital projects funds	0	0	0	0	0	(19,917)	(19,917)
Unreserved:							
General Fund	<u>483,305</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>483,305</u>
Total Fund Balances	<u>483,305</u>	<u>(44,639)</u>	<u>226,718</u>	<u>23,524</u>	<u>6,465</u>	<u>(33,810)</u>	<u>661,563</u>
Total Liabilities and Fund Balance	<u>\$ 511,430</u>	<u>\$ (34,903)</u>	<u>\$ 257,682</u>	<u>\$ 43,895</u>	<u>\$ 6,728</u>	<u>\$ (11,874)</u>	<u>\$ 772,958</u>

The Notes to the Financial Statements are an Integral part of this Statement

Clearwater River Watershed District  
Annandale, Minnesota

Reconciliation of the Balance Sheet to the Statement Net Assets - Governmental Funds  
December 31, 2010

Total Fund Balances - Governmental Funds \$ 661,563

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of Capital Assets:	134,093
Less: Accumulated Depreciation	(1,130)

Certain receivables will be collected next year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	<u>16,282</u>
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Total Net Assets - Governmental Activities \$ 810,807

Clearwater River Watershed District  
Annandale, Minnesota

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds  
For the Year Ended December 31, 2010

	Special Revenue						Total Governmental Funds
	General	Data Acquisition	Operations & Maintenance	Clearwater Milfoil	Willow Creek Storm Water	Other Governmental Funds	
<b>Revenues</b>							
General property taxes	\$ 234,834	\$ 16	\$ 0	\$ 0	\$ 0	\$ 1	\$ 234,851
Intergovernmental revenue	17,005	0	0	0	63,810	8,231	89,046
Special assessments	0	0	8,300	39,869	0	67,537	115,706
Miscellaneous Income	2,346	16	26	187	3,500	2,082	8,157
Interest income	<u>6,854</u>	<u>0</u>	<u>4,110</u>	<u>576</u>	<u>502</u>	<u>2,890</u>	<u>14,932</u>
Total Revenue	<u>261,039</u>	<u>32</u>	<u>12,436</u>	<u>40,632</u>	<u>67,812</u>	<u>80,741</u>	<u>462,692</u>
<b>Expenditures</b>							
General government	212,859	0	0	0	0	0	212,859
Special revenue expenditures	0	53,063	20,411	26,014	91,347	49,754	240,589
Capital project expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,524</u>	<u>13,524</u>
Total Expenditures	<u>212,859</u>	<u>53,063</u>	<u>20,411</u>	<u>26,014</u>	<u>91,347</u>	<u>63,278</u>	<u>466,972</u>
Excess Revenues Over(Under) Expenditures	48,180	(53,031)	(7,975)	14,618	(23,535)	17,463	(4,280)
<b>Other Financing Sources(Uses)</b>							
Transfer in	71,150	24,850	0	0	30,000	0	126,000
Transfers out	<u>(54,850)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(71,150)</u>	<u>(126,000)</u>
Total Other Financing Sources(Uses)	<u>16,300</u>	<u>24,850</u>	<u>0</u>	<u>0</u>	<u>30,000</u>	<u>(71,150)</u>	<u>0</u>
Net Change in Fund Balance	64,480	(28,181)	(7,975)	14,618	6,465	(53,687)	(4,280)
Fund Balance - Beginning	<u>418,825</u>	<u>(16,458)</u>	<u>234,693</u>	<u>8,906</u>	<u>0</u>	<u>19,877</u>	<u>665,843</u>
Fund Balance - Ending	<u>\$ 483,305</u>	<u>\$ (44,639)</u>	<u>\$ 226,718</u>	<u>\$ 23,524</u>	<u>\$ 6,465</u>	<u>\$ (33,810)</u>	<u>\$ 661,563</u>

The Notes to the Financial Statements are an Integral part of this Statement



Clearwater River Watershed District  
Annandale, Minnesota

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances to the Statement of Activities - Governmental Funds  
For the Year Ended December 31, 2010

Total Net Change in Fund Balances - Governmental Funds \$ (4,280)

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 the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Less: Depreciation (678)

Delinquent receivables will be collected next year, but are not available soon enough to pay for the current periods's expenditures and, therefore, are not reported as revenues in the Governmental funds.

Delinquent property taxes 15,564

Change in Net Assets - Governmental Activities \$ 10,606

Clearwater River Watershed District  
Annandale, Minnesota

Statement of Net Assets - Proprietary Funds  
December 31, 2010

	Hidden River Maintenance	Rest a while Maintenance	Clearwater Harbor Maintenance	Wandering Ponds	Totals
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 47,104	\$ 6,235	\$ 42,899	\$ 19,124	\$ 115,362
Prepaid insurance	292	127	644	0	1,063
Accounts receivable	<u>7,757</u>	<u>1,438</u>	<u>14,504</u>	<u>3,872</u>	<u>27,571</u>
Total Current Assets	<u>55,153</u>	<u>7,800</u>	<u>58,047</u>	<u>22,996</u>	<u>143,996</u>
<b>Capital Assets</b>					
Capital assets	486,773	141,138	1,478,030	71,500	2,177,441
Less: Accumulated depreciation	<u>(111,980)</u>	<u>(19,165)</u>	<u>(430,616)</u>	<u>(6,646)</u>	<u>(568,407)</u>
Net Capital Assets	<u>374,793</u>	<u>121,973</u>	<u>1,047,414</u>	<u>64,854</u>	<u>1,609,034</u>
Total Assets	<u>\$ 429,946</u>	<u>\$ 129,773</u>	<u>\$ 1,105,461</u>	<u>\$ 87,850</u>	<u>\$ 1,753,030</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Accounts payable	<u>\$ 1,011</u>	<u>\$ 275</u>	<u>\$ 1,199</u>	<u>\$ 87</u>	<u>\$ 2,572</u>
Total Current Liabilities	<u>1,011</u>	<u>275</u>	<u>1,199</u>	<u>87</u>	<u>2,572</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	374,793	121,973	1,047,414	64,854	1,609,034
Unrestricted	<u>54,142</u>	<u>7,525</u>	<u>56,848</u>	<u>22,909</u>	<u>141,424</u>
Total Net Assets	<u>428,935</u>	<u>129,498</u>	<u>1,104,262</u>	<u>87,763</u>	<u>1,750,458</u>
Total Liabilities and Net Assets	<u>\$ 429,946</u>	<u>\$ 129,773</u>	<u>\$ 1,105,461</u>	<u>\$ 87,850</u>	<u>\$ 1,753,030</u>

The Notes to the Financial Statements are an Integral part of this Statement

Clearwater River Watershed District  
Annandale, Minnesota

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds  
For the Year Ended December 31, 2010

	Hidden River Maintenance	Rest a while Maintenance	Clearwater Harbor Maintenance	Wandering Ponds	Totals
<b>Revenue</b>					
Charges for services	\$ 21,429	\$ 5,753	\$ 40,717	\$ 11,225	\$ 79,124
Special assessment from homeowner	0	0	0	4,536	4,536
Miscellaneous income	<u>305</u>	<u>825</u>	<u>233</u>	<u>50</u>	<u>1,413</u>
Total Revenues	<u>21,734</u>	<u>6,578</u>	<u>40,950</u>	<u>15,811</u>	<u>85,073</u>
<b>Operating Expenses</b>					
Accounting	424	523	643	111	1,701
Depreciation	12,619	2,643	68,313	2,750	86,325
Engineering	3,175	0	4,165	0	7,340
Insurance	461	176	918	214	1,769
Legal	0	255	128	0	383
Management fees	156	131	306	113	706
Miscellaneous	215	435	345	30	1,025
Other professional fees	2,884	0	3,977	242	7,103
Permits	0	0	645	0	645
Repairs and maintenance	5,517	1,809	14,830	1,600	23,756
Supplies	135	0	0	0	135
Telephone	614	322	586	0	1,522
Utilities	<u>2,218</u>	<u>433</u>	<u>1,473</u>	<u>1,056</u>	<u>5,180</u>
Total Operating Expenses	<u>28,418</u>	<u>6,727</u>	<u>96,329</u>	<u>6,116</u>	<u>137,590</u>
Net Income(Loss) from Operations	(6,684)	(149)	(55,379)	9,695	(52,517)
<b>Nonoperating Income(Expense)</b>					
Interest income	<u>791</u>	<u>141</u>	<u>2,286</u>	<u>324</u>	<u>3,542</u>
Total Nonoperating Income(Expense)	<u>791</u>	<u>141</u>	<u>2,286</u>	<u>324</u>	<u>3,542</u>
Change in Net Assets	(5,893)	(8)	(53,093)	10,019	(48,975)
Net Assets - beginning	<u>434,828</u>	<u>129,506</u>	<u>1,157,355</u>	<u>77,744</u>	<u>1,799,433</u>
Net Assets - ending	<u>\$ 428,935</u>	<u>\$ 129,498</u>	<u>\$ 1,104,262</u>	<u>\$ 87,763</u>	<u>\$ 1,750,458</u>

The Notes to the Financial Statements are an Integral part of this Statement

Clearwater River Watershed District  
Annandale, Minnesota

Statement of Cash Flows - Proprietary Funds  
For the Year Ended December 31, 2010

	Hidden River Maintenance	Rest a while Maintenance	Clearwater Harbor Maintenance	Wandering Ponds	Totals
<b>CASH FLOWS FROM OPERATING</b>					
Receipts from customers and users	\$ 21,370	\$ 6,578	\$ 42,321	\$ 22,941	\$ 93,210
Payments to suppliers	<u>(15,838)</u>	<u>(4,016)</u>	<u>(28,379)</u>	<u>(3,359)</u>	<u>(51,592)</u>
Net Cash provided by operating activities	<u>5,532</u>	<u>2,562</u>	<u>13,942</u>	<u>19,582</u>	<u>41,618</u>
<b>CASH FLOWS FROM INVESTING</b>					
Interest received	<u>791</u>	<u>141</u>	<u>2,286</u>	<u>324</u>	<u>3,542</u>
Net Cash Increase(Decrease) in cash and investments	6,323	2,703	16,228	19,906	45,160
Cash and investments - Beginning	<u>40,781</u>	<u>3,532</u>	<u>26,671</u>	<u>(782)</u>	<u>70,202</u>
Cash and investments - Ending	<u>\$ 47,104</u>	<u>\$ 6,235</u>	<u>\$ 42,899</u>	<u>\$ 19,124</u>	<u>\$ 115,362</u>
<b>Reconciliation of operating income to net cash provided(used) by operating</b>					
Operating net income	\$ (6,684)	\$ (149)	\$ (55,379)	\$ 9,695	\$ (52,517)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	12,619	2,643	68,313	2,750	86,325
Accounts receivable	(364)	0	1,371	7,130	8,137
Prepaid insurance	(31)	(14)	(69)	0	(114)
Accounts payable	<u>(8)</u>	<u>82</u>	<u>(294)</u>	<u>7</u>	<u>(213)</u>
Net Cash Provided(Used) by Operating Activities	<u>\$ 5,532</u>	<u>\$ 2,562</u>	<u>\$ 13,942</u>	<u>\$ 19,582</u>	<u>\$ 41,618</u>

The Notes to the Financial Statements are an Integral part of this Statement

Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Financial Statements  
December 31, 2010

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District relating to the activities included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication titled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable).

**A. Organization and Purpose**

The Clearwater River Watershed District was organized under provisions of Minnesota Statutes Chapter 103D. The District is governed by a Board of Managers composed of five members appointed by the counties within the area of the Watershed District boundaries .

The purpose of the District is to conserve the natural resources of the State by land use planning, flood control and other conservation projects by using sound scientific principles for the protection of public health and welfare and the provident use of the natural resources.

**B. Financial Reporting Entity**

The District is operated by a board composed of five member appointed by the counties inside the Clearwater River Watershed. The board exercises legislative authority and determines all matters of policy. The board appoints personnel responsible for the proper administrative of all affairs relating to the District. As required by accounting principles generally accepted in the United States of America, these financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The criteria for including organizations as component units within the District's reporting entity include whether the organization is legally separate and whether the District holds the corporate powers, whether the District appoints a majority of the organization's board and is able to impose its will, and the ability of the organization to impose a financial benefit or burden on the District. Blended component units, although legally separate entities, are, in substance, part of the District's operations and so data from these units are combined with date of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the District. Based on the foregoing criteria as of December 31, 2010, the District had no blended or discretely presented component units.

In conformance with standards established by the Governmental Accounting Standards Board, the District includes all funds and that are controlled by or dependent on the District Board. Control by and dependence on the District were determined on the basis of budget adoption, taxing authority, obligation of the District to finance any deficits that may occur, and any significant subsidy provided by the District.

Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Financial Statements  
December 31, 2010

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**C. Government -Wide and Fund Financial Statements**

The government -wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities ) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these Statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business -type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment for offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and b) 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**D. 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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current accounting.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The financial transactions of the District are recorded in individual funds. Each fund is accounted by providing a separate set of self-balancing accounts that comprise it assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Financial Statements  
December 31, 2010

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The new model as defined by GASB Statement No. 34 established criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category of the governmental and enterprises combined) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements.

**Description of Funds:**

**Major Funds**

**General Fund**

The General Fund is the main operating fund of the District. The expenditures for all general governmental activities are recorded in the General Fund. The Fund also accounts for the activities of special projects which are funded by property taxes, and for which no other funding sources are available.

**Special Revenue Funds**

Special Revenue funds account for revenues and expenditures of activities for which the revenue sources are legally restricted for specific purposes. A brief description of the Special Revenue funds maintained by the District in 2010 is as follows:

**Data Acquisition Fund**

This fund was established for the purpose of providing funds to monitor water quality in the District. Revenues are provided primarily by a special tax levy made every five years, in an amount not to exceed \$50,000. The next tax levy is due in 2011.

**Operations and Maintenance Fund**

The financial activities relating to the maintenance of the original Clearwater Chain of Lakes Restoration Project are recorded in this fund. This is the largest Special Revenue fund maintained by the District. The special assessments levied against lake front properties, are the highest for those lakefront properties located in the lower reaches of the District. The rate gradually drops to zero against lake front properties in the upper reaches of the District.

**Clearwater Milfoil Fund**

This fund was established for the purpose of providing funding for the control of Eurasian milfoil in Clearwater Lake. This activity is a joint project between the Clearwater River Watershed District and the Clearwater Lake Property owners. The Watershed District levies special assessments against property owners on Clearwater Lake to raise the necessary revenue for the project. Volunteers from the Clearwater Lake Property owners furnish the labor and equipment to spread the chemical to complete the project. This is an annual project.

Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Financial Statements  
December 31, 2010

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**Description of Funds:** (continued)

**Willow Creek Storm Water**

**Proprietary Funds**

Enterprise funds are used to account to operations that are financed and operated in manner similar to private business enterprises, where the intent is that the costs of providing services are to be recovered primarily on a user charge basis. Enterprise funds maintained by the District are as follows:

**Hidden River Sanitary Sewer Maintenance Fund**

This fund accounts for the maintenance costs of the Hidden River Sanitary Sewer system. Property owners are being billed for the sewer service.

**Rest a While Sanitary Sewer Maintenance Fund**

This fund accounts for the maintenance costs of the Rest a While Sanitary Sewer system. Property owners are being billed for the sewer service.

**Clearwater Harbor Sewer Maintenance Fund**

This fund accounts for the maintenance costs of the Clearwater Harbor Sanitary Sewer system. Property owners are being billed for the sewer service.

**Wandering Ponds Maintenance Fund**

This fund accounts for the maintenance costs of the Wandering Ponds Sanitary Sewer system. Property owners are being billed for the sewer service.



Clearwater River Watershed District  
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Notes to the Financial Statements  
December 31, 2010

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**Description of Funds:** (continued)

**Nonmajor Funds**

**Special Revenue Funds**

**Augusta Bog Control Fund**

This fund was established to provide funds for the removal of nuisance bogs on Lake Augusta. Revenues are derived from special assessments levied against properties fronting on Lake Augusta.

**Clearwater/Grass Bog Control Fund**

This fund was established to provide funds for the removal of nuisance bogs on Clearwater and Grass Lakes. Revenues are derived from special assessments levied against properties fronting on Clearwater and Grass Lakes.

**Pleasant Lake Outlet Fund**

This fund was established to provide fund to build and maintain a second outlet on Pleasant Lake. The second outlet is for the purpose of alleviating occasional flooding on Pleasant Lake. Revenues are derived from special assessments levied against properties on Pleasant Lake.

**Lake Augusta Milfoil Fund**

This project operates much the same as the Clearwater Lake Milfoil fund, and is for the purpose of controlling the milfoil infestation on Lake Augusta. Special assessments are levied against property owners on Lake Augusta to raise the necessary funds.

**TMDL Phase III**

This fund was established to address the dissolved oxygen and bacteria impairments in the Clearwater River and nutrient impairments in 11 lakes within the Clearwater River Watershed, which is located in Stearns, Meeker and Wright counties.

**Augusta Channel Clean out**

**CCM Riparian Work**

**Lake Betsy Hypo Limnetic**

Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Financial Statements  
December 31, 2010

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**Description of Funds:** (continued)

**Fertilizer Field Trial Fund**

This project is a fund to account for expenditures of a TMDL project located in the Henshaw, Albion, Swartout, Augusta, and Caroline lakes area. The expenditures to date have been primarily for engineering studies.

**Cedar #06-1 Maintenance Fund**

This is the Maintenance fund for the Cedar, Albion, Swartout, and Henshaw Lakes Improvement Project. Special assessments will be levied against properties benefited by the project to maintain the fund.

**Five Lakes Phase III**

This fund was established to address the nutrient impairments in Lake Caroline, Lake Augusta, Swartout Lake, Albion Lake and Henshaw Lake.

**Capital Projects Fund:**

Capital Projects funds are used to account for the acquisition or construction of major capital facilities, other than those financed by Enterprise funds. A brief description of the Capital Projects funds maintained by the District is as follows:

**Cedar, Albion, Swartout, Henshaw Lake Improvement Fund**

The District received a petition from the residents of Cedar Lake asking the District to initiate a project to undertake the measures necessary to improve the quality of water in Cedar Lake. The District has responded by initiating a series of actions. The necessary measures extend beyond the immediate Cedar Lake area. To fund the project the District has levied special assessments against benefited properties.

**Lake Louisa Hills Maintenance**

This fund was established for the purpose of assisting in the development of wastewater treatment and storm water management plans in the Lake Louisa Hills Development.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's utility functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include a) charges to customers or applicants for good, services or privileges provided, b) operating grants and contributions and c) capital grants and contributions, including special assessments. General revenues include all taxes.

Clearwater River Watershed District  
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Notes to the Financial Statements  
December 31, 2010

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Hidden River Sanitary Sewer Maintenance Fund, Rest a While Sanitary Sewer Maintenance Fund,

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Clearwater Harbor Sewer Maintenance Fund is charges to customers for sales and services. Operating expenses for enterprise funds include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. Assets, Liabilities and Net Assets or Equity**

**1. Deposit and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of six months or less from the date of acquisition. Investments are stated at fair value.

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the Board of Managers. *Minnesota Statutes* require all deposits be protected by federal depository insurance, corporate surety bonds or collateral. The market value of the collateral pledged must equal 110% of the deposit not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

The District has adopted a policy to address custodial risk for deposits that matches *Minnesota Statutes* requirement that deposits are collateralized at 110% of excess over FDIC insurance.

*Minnesota Statutes* authorizes the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investment are in the aforementioned securities, obligation of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

The Minnesota Municipal Investment Pool is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

The District has no investment policy in place that addresses interest rate risk, credit risk, concentration risk and custodial credit risk.

Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Financial Statements  
December 31, 2010

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**2. Receivables and Payables**

All trade and property tax receivables are shown at gross amount since both assessable to the property taxes and collectible upon the sale of the property.

The District levies its property tax for the subsequent year during the month of December. December 28 is the last day the District can verify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. The property tax is recorded as revenue when it becomes measurable and available. Wright, Stearns and Meeker County are the collecting agencies for the levy and remit the collections to the District three times a year. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment is due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all property in the District, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the District.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government -wide and fund financial statements.

**4. Capital Asset**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government -wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

When capital assets are purchased, they are capitalized and depreciated in the government -wide statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Financial Statements  
December 31, 2010

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20-50
Land Improvements	5-30
Machinery and Equipment	7-50

**5. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**6. Net Assets**

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

**F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**G. Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District continues to carry commercial insurance or coverage through the League of Minnesota Cities, a public entity risk pool currently operating as a common risk management and insurance program for member cities.

There were no significant reductions in insurance from previous year or settlements in excess of insurance coverage for any of the past three years.

The District's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for the year is estimated to be immaterial based on workers' compensation rates and salaries for the year.

Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Financial Statements  
December 31, 2010

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**H. Policy Regarding use of FASB Accounting Standards Codification**

The District has adopted paragraph 7 of GASB Statement No. 20. Within this adoption, the District’s enterprise funds(s) will apply all FASB Accounting Standards Codifications , unless they conflict with or contradict GASB pronouncements.

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgetary Information**

1. The Chairman of the board compiles the budget into an overall preliminary District budget. The Chairman of the board presents the proposed budget to the Board of Managers.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments. The budget resolution adopted by the District sets forth the budgets at the function level for the General and Special Revenue Funds.
4. Budget for the general fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund’s budget can be increased without the District’s approval. The Districts may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General and Special Revenue Funds. Budgetary control for Capital Project Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. Budgeted amounts are as originally adopted, or as amended by the District. Budgeted expenditure appropriations lapse at year-end.

**B. Excess Expenditures Over Budget**

Expenditures exceeded appropriations in certain individual fund(s) for the year ended December 31, 2010 as follows:

	Budget	Actual	Excess Expenditures Over Budget
Data Acquisition	\$25,003	\$53,063	\$28,060
Operations and Maintenance Fund	31,003	20,411	10,592
Willow Creek Storm Water Fund	3	91,347	91,344

Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Financial Statements  
December 31, 2010

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

C. **Deficit Fund Balances**

The following fund(s) had (have) deficit balances at December 31, 2010

Special Revenue Fund:	
Data Acquisition	\$44,639
Clearwater Grass Bog Control	225
Augusta Channel Clean Out	5,905
CCM Riparian Work	10,506
TMDL Phase III	7,115
Five Lakes Phase III	223
Lake Betsy Hypolimnetic	26
Fertilizer Field Trial	14,016
Capital Projects Fund:	
Cedar, Albion, Swartout, Henshaw	12,557
Lake Louisa Hills Maintenance	7,360

Note 3 DEPOSITS

**Deposits**

As of December 31, 2010, the District's bank balances were not exposed to custodial credit risk because it was fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not return to it.

The following is a summary of total of cash and cash equivalents as of December 31, 2010:

Checking	\$54,230
Savings	68,066
Certificate of deposit	740,791
Total	<u>\$863,087</u>

Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Financial Statements  
December 31, 2010

Note 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities :</b>				
Capital Assets, not being Depreciated:				
Land	\$118,347	\$ 0	\$0	\$118,347
Project Costs	8,965	0	0	8,965
 Total Capital Assets, not being Depreciated	 127,312	 0	 0	 127,312
Capital Assets, being Depreciated:				
Equipment	6,781	0	0	6,781
Less Accumulated Depreciation for:				
Equipment	(452)	(678)	0	(1,130)
 Total Capital Assets, being Depreciated, net	 6,329	 (678)	 0	 5,651
 Governmental Activities Capital Assets, net	 \$133,641	 \$(678)	 \$0	 \$132,963



Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Financial Statements  
December 31, 2010

Note 4 CAPITAL ASSETS – continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business -Type Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 35,400	\$ 0	\$0	\$ 35,400
Capital Assets, being Depreciated:				
Building and system	2,142,041	0	0	2,142,041
Less Accumulated Depreciation for:				
Building and system	(482,082)	(86,325)	0	(568,407)
Total Capital Net Assets, being Depreciated, net	<u>1,659,959</u>	<u>(86,325)</u>	<u>0</u>	<u>1,573,634</u>
Business -Type Activities Capital Assets, net	<u>\$1,695,359</u>	<u>\$(86,325)</u>	<u>\$0</u>	<u>\$1,609,034</u>

Depreciation expense was charged to functions/programs of the business -type activities as follows:

Governmental Activities:		
Special Revenue Fund		<u>\$678</u>
Business -Type Activities:		
Hidden River Maintenance		\$12,619
Rest a While Maintenance		2,643
Clearwater Harbor Maintenance		68,313
Wandering Ponds		<u>2,750</u>
Total Depreciation Expense – Business -Type Activities		<u>\$86,325</u>

Note 5 INTERFUND TRANSFERS

	<u>Transfer in:</u>		
	<u>Data Acquisition</u>	<u>Willow Creek Storm Water</u>	<u>General Fund</u>
Transfer out:			
General Fund	\$24,850		
General Fund		\$30,000	
TMDL Phase III			\$71,150

The purpose of the above transfers are to provide funding for capital improvements projects, capital outlay, provide funding for operating purposes and to close funds.

Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Financial Statements  
December 31, 2010

Note 6 COMMITMENTS AND CONTINGENCIES

**Buffer Strip Program**

In 1997, the District committed a total of \$30,000 for a buffer strip incentive program in Meeker, Stearns and Wright counties. The money is available to participants when the costs are incurred and submitted to the District. The balance available at December 31, 2010 is as follows:

	Initial Commitment	Expenditures to Date	Balance Available
Meeker County	\$10,000	\$10,000	\$ 0
Stearns County	10,000	4,930	5,070
Wright County	10,000	10,000	0
Total	<u>\$30,000</u>	<u>\$24,930</u>	<u>\$5070</u>

Note 7 RELATED PARTY TRANSACTIONS

There were no related party transactions for the year ended December 31, 2010.

Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Financial Statements  
December 31, 2010

Note 8 NET ASSETS

In the government -wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because of the District reports all District assets which make up a significant portion to total net assets. Restricted net assets account for the portion of net assets restricted by enabling legislation. Unrestricted net assets are the remaining net assets not included in the two previous categories.

The following is a summary of the components of net assets as of December 31, 2010:

	Governmental Activities	Business -Type Activities
Invested in capital assets, net of related debt		
Land	\$118,347	\$ 35,400
Projects costs	8,965	
Other capital assets, net of accumulated depreciation	5,651	1,573,634
Total Invested in Capital Assets	132,963	1,609,034
Unrestricted	677,844	141,424
 Total Net Assets	 \$810,807	 \$1,750,458

Governmental fund balances reported on the fund financial statements at December 31, 2010 include the following:

	General Fund	Special Revenue Fund	Capital Projects
Reserved:			
Reserved for lake improvement			\$(19,917)
Special projects		\$198,175	
Total reserved		198,175	(19,917)
 Unreserved/undesignated	\$483,305		
 Total Fund Balances	 \$483,305	 \$198,175	 \$(19,917)

**REQUIRED SUPPLEMENTARY INFORMATION**

Clearwater River Watershed District  
Annandale, Minnesota

Budgetary Comparison Schedule - General Fund  
For the Year Ended December 31, 2010

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over(Under)</u>
<b>Revenues</b>			
Property taxes	\$ 227,200	\$ 234,834	\$ 7,634
MV credit	21,200	17,005	(4,195)
Miscellaneous income	1,000	2,346	1,346
Interest income	7,000	6,854	(146)
Total Revenue	<u>256,400</u>	<u>261,039</u>	<u>4,639</u>
<b>Expenditures</b>			
General Government			
Wages and benefits	9,500	7,241	(2,259)
Office supplies	400	621	221
Operating Supplies	1	153	152
Records Retention	10,000	4,991	(5,009)
Accounting	36,900	36,900	0
Audit	6,000	6,510	510
Engineering fees	25,000	35,959	10,959
Legal fees	2,000	1,607	(393)
Management fees	35,000	42,155	7,155
Other professional services	500	64	(436)
Communication	2,600	817	(1,783)
Transportation	1,700	1,088	(612)
Conference registration	500	0	(500)
Other travel costs	250	0	(250)
Legal notices	3,600	4,484	884
Advertising	200	0	(200)
Printing and binding	1,700	0	(1,700)
Insurance	6,000	2,557	(3,443)
Rentals	4,000	2,548	(1,452)
Miscellaneous	500	225	(275)
Dues and suscriptions	3,000	2,089	(911)
Total General Government	<u>149,351</u>	<u>150,009</u>	<u>658</u>
Education Program			
Wages and benefits	500	673	173
Office supplies	200	0	(200)
Accounting	300	0	(300)
Engineering fees	3,500	1,499	(2,001)
Management fees	7,000	1,283	(5,717)
Communication	300	0	(300)
Transportation	600	964	364
Other Travel costs	1,900	1,617	(283)
Printing and binding	500	807	307
Miscellaneous	201	334	133
Total Education Program	<u>15,001</u>	<u>7,177</u>	<u>(7,824)</u>

Clearwater River Watershed District  
Annandale, Minnesota

Budgetary Comparison Schedule - General Fund  
For the Year Ended December 31, 2010

	Original and Final Budget	Actual Amounts	Variance with final Budget - Over(Under)
<b>Expenditures - continued</b>			
Other Expenditures			
Advisory committee	\$ 2,700	\$ 0	\$ (2,700)
Comprehensive plan update	33,502	25,511	(7,991)
Grant application	1	13,966	13,965
Filter strip program	14,001	4,207	(9,794)
Plan/Plat review	1,250	0	(1,250)
Website	1,800	1,207	(593)
Clearwater grass bog removal	500	0	(500)
103rd St. survey corinna	200	0	(200)
C Mierhofer V-Notch	2	3,042	3,040
103rd St. survey south side	200	0	(200)
Other special projects	46,550	7,740	(38,810)
Total Other Expenditures	<u>100,706</u>	<u>55,673</u>	<u>(45,033)</u>
 Total Expenditures	 <u>265,058</u>	 <u>212,859</u>	 <u>(52,199)</u>
 Excess Revenues Over(Under) Expenditures	 <u>(8,658)</u>	 <u>48,180</u>	 <u>56,838</u>
<b>Other Financing Sources(Uses)</b>			
Operating transfers in	0	71,150	71,150
Operating transfers out	<u>(24,850)</u>	<u>(54,850)</u>	<u>(30,000)</u>
Total Other Financing Sources(Uses)	<u>(24,850)</u>	<u>16,300</u>	<u>41,150</u>
 Net Change in Fund Balance	 <u>\$ (33,508)</u>	 64,480	 <u>\$ 97,988</u>
 Fund Balance - Beginning		 <u>418,825</u>	
 Fund Balance - Ending		 <u>\$ 483,305</u>	

Clearwater River Watershed District  
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Budgetary Comparison Schedule - Data Acquisition Fund  
For the Year Ended December 31, 2010

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over(Under)
<b>Revenues</b>			
Property taxes	\$ 0	\$ 16	\$ 16
Miscellaneous income	0	16	16
Interest income	<u>150</u>	<u>0</u>	<u>(150)</u>
Total Revenue	<u>150</u>	<u>32</u>	<u>(118)</u>
<b>Expenditures</b>			
Operating Supplies	1	18	17
Accounting	100	183	83
Engineering fees	21,000	42,497	21,497
Management fees	400	85	(315)
Other professional fees	1,000	6,103	5,103
Travel costs	1	539	538
Insurance	0	66	66
Repairs	2,000	2,872	872
Rentals	1	348	347
Interest Expense	<u>500</u>	<u>352</u>	<u>(148)</u>
Total Expenditures	<u>25,003</u>	<u>53,063</u>	<u>28,060</u>
Excess Revenues Over(Under) Expenditures	(24,853)	(53,031)	(28,178)
<b>Other Financing Sources(Uses)</b>			
Tranfers in	<u>24,850</u>	<u>24,850</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ (3)</u>	<u>(28,181)</u>	<u>\$ (28,178)</u>
Fund Balance - Beginning		<u>(16,458)</u>	
Fund Balance - Ending		<u>\$ (44,639)</u>	

Clearwater River Watershed District  
Annandale, Minnesota

Budgetary Comparison Schedule - Operations and Maintenance Fund  
For the Year Ended December 31, 2010

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over(Under)
<b>Revenues</b>			
Special assessments	0	8,300	8,300
Miscellaneous income	0	26	26
Interest income	8,000	4,110	(3,890)
Total Revenue	8,000	12,436	4,436
<b>Expenditures</b>			
Wages and benefits	150	0	(150)
Office Supplies	0	501	501
Repairs	0	33	33
Accounting	400	953	553
Engineering fees	8,500	7,343	(1,157)
Legal fees	1	868	867
Management fees	400	620	220
Communication	0	792	792
Transportation	1	132	131
Legal Notices	0	599	599
Insurance	100	110	10
Repairs	21,450	8,460	(12,990)
Miscellaneous	1	0	(1)
Total Expenditures	31,003	20,411	(10,592)
Net Change in Fund Balance	<u>\$ (23,003)</u>	(7,975)	<u>\$ 15,028</u>
Fund Balance - Beginning		234,693	
Fund Balance - Ending		<u>\$ 226,718</u>	



Clearwater River Watershed District  
Annandale, Minnesota

Budgetary Comparison Schedule - Clearwater Lake Milfoil Fund  
For the Year Ended December 31, 2010

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over(Under)
<b>Revenues</b>			
Special Assessments	\$ 39,400	\$ 39,869	\$ (469)
Miscellaneous	0	187	(187)
Interest income	700	576	(124)
Total Revenues	40,100	40,632	(780)
<b>Expenditures</b>			
Office supplies	0	79	79
Supplies	40,000	25,110	(14,890)
Repairs	1,200	0	(1,200)
Accounting	300	282	(18)
Management Fees	0	347	347
Communication	0	97	97
Insurance	300	99	(201)
Miscellaneous	301	0	(301)
Total Expenditures	42,101	26,014	(16,087)
Excess Revenues Over(Under) Expenditures	\$ (2,001)	14,618	\$ 15,307
Fund Balance - Beginning		8,906	
Fund Balance - Ending		\$ 23,524	

Clearwater River Watershed District  
Annandale, Minnesota

Budgetary Comparison Schedule - Willow Creek Storm Water Fund  
For the Year Ended December 31, 2010

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over(Under)
<b>Revenues</b>			
State aid	0	63,810	63,810
Miscellaneous income	0	3,500	3,500
Interest income	0	502	502
Total Revenue	0	67,812	67,812
<b>Expenditures</b>			
Accounting	0	28	28
Engineering Fees	1	38,802	38,801
Legal Fees	0	982	982
Management Fees	1	1,895	1,894
Transportation	0	40	40
Legal Notices	0	155	155
Improvements	0	49,435	49,435
Interest Expense	1	10	9
Total Expenditures	3	91,347	91,344
Excess Revenues Over(Under) Expenditures	(3)	(23,535)	(23,532)
<b>Other Financing Sources(Uses)</b>			
Tranfers in	0	30,000	(30,000)
Net Change in Fund Balance	\$ (3)	6,465	\$ (53,532)
Fund Balance - Beginning		0	
Fund Balance - Ending		\$ 6,465	

Clearwater River Watershed District  
Annandale, Minnesota

Notes to the Required Supplementary Schedules  
December 31, 2010

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Chairman of the board compiles the budget into an overall preliminary District budget. The Chairman of the board presents the proposed budget to the Board of Managers.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budget for the general fund, special revenue and capital projects are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Budgeted amounts are as originally adopted, with several amendments by the District's Board; budget expenditures appropriations lapse at year end.

**SUPPLEMENTARY INFORMATION**

Clearwater River Watershed District  
Annandale, Minnesota

Combining Balance Sheet - Nonmajor Governmental Funds  
December 31, 2010

	Special Revenue Funds						
	Augusta Bog Control	Clearwater Grass Bog Control	Pleasant Lake Outlet	Augusta Channel Clean Out	Cedar #06-1 Maint.	CCM Riparian Work	Lake Augusta Milfoil
<b>ASSETS</b>							
Cash and investments	<u>\$ 1,605</u>	<u>\$ (225)</u>	<u>\$ 7,402</u>	<u>\$ (2,570)</u>	<u>\$ 22,180</u>	<u>\$ (10,463)</u>	<u>\$ 10,529</u>
Total Assets	<u>\$ 1,605</u>	<u>\$ (225)</u>	<u>\$ 7,402</u>	<u>\$ (2,570)</u>	<u>\$ 22,180</u>	<u>\$ (10,463)</u>	<u>\$ 10,529</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities							
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 3,335	\$ 0	\$ 43	\$ 0
Deferred revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,411</u>	<u>0</u>	<u>2,182</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,335</u>	<u>15,411</u>	<u>43</u>	<u>2,182</u>
Fund Balances:							
Reserved	<u>1,605</u>	<u>(225)</u>	<u>7,402</u>	<u>(5,905)</u>	<u>6,769</u>	<u>(10,506)</u>	<u>8,347</u>
Total Liabilities and Fund Balance	<u>\$ 1,605</u>	<u>\$ (225)</u>	<u>\$ 7,402</u>	<u>\$ (2,570)</u>	<u>\$ 22,180</u>	<u>\$ (10,463)</u>	<u>\$ 10,529</u>

Special Revenue Funds				Capital Projects Funds			Total Governmental Funds
TMDL Phase II	TMDL Phase III	Five Lakes Phase III	Lake Betsy Hypo.	Fertilizer Field Trial	Cedar Albion Swartout Henshaw	Lake Louisa Hills Maintenance	
\$ 0	\$ (7,115)	\$ (195)	\$ (26)	\$ (14,016)	\$ (11,620)	\$ (7,360)	\$ (11,874)
<u>\$ 0</u>	<u>\$ (7,115)</u>	<u>\$ (195)</u>	<u>\$ (26)</u>	<u>\$ (14,016)</u>	<u>\$ (11,620)</u>	<u>\$ (7,360)</u>	<u>\$ (11,874)</u>
\$ 0	\$ 0	\$ 28	\$ 0	0	937	0	\$ 4,343
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,593</u>
<u>0</u>	<u>0</u>	<u>28</u>	<u>0</u>	<u>0</u>	<u>937</u>	<u>0</u>	<u>21,936</u>
<u>0</u>	<u>(7,115)</u>	<u>(223)</u>	<u>(26)</u>	<u>(14,016)</u>	<u>(12,557)</u>	<u>(7,360)</u>	<u>(33,810)</u>
<u>\$ 0</u>	<u>\$ (7,115)</u>	<u>\$ (195)</u>	<u>\$ (26)</u>	<u>\$ (14,016)</u>	<u>\$ (11,620)</u>	<u>\$ (7,360)</u>	<u>\$ (11,874)</u>

Clearwater River Watershed District  
Annandale, Minnesota

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance - Nonmajor Governmental Funds  
For the Year Ended December 31, 2010

	Special Revenue Funds						
	Augusta Bog Control	Clearwater Grass Bog Control	Pleasant Lake Outlet	Augusta Channel Clean Out	Cedar #06-1 Maint.	CCM Riparian Work	Lake Augusta Milfoil
<b>Revenues</b>							
General Property taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1
Intergovernmental revenue	0	0	0	0	0	0	0
Special assessments	0	0	0	0	25,639	0	4,914
Miscellaneous Income	0	80	2	0	0	0	0
Interest income	<u>89</u>	<u>1</u>	<u>122</u>	<u>0</u>	<u>380</u>	<u>0</u>	<u>129</u>
Total Revenue	<u>89</u>	<u>81</u>	<u>124</u>	<u>0</u>	<u>26,019</u>	<u>0</u>	<u>5,044</u>
<b>Expenditures</b>							
Special revenue	255	428	7	5,905	17,227	10,506	3,261
Capital project	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>255</u>	<u>428</u>	<u>7</u>	<u>5,905</u>	<u>17,227</u>	<u>10,506</u>	<u>3,261</u>
Excess Revenues Over(Under) Expenditures	<u>(166)</u>	<u>(347)</u>	<u>117</u>	<u>(5,905)</u>	<u>8,792</u>	<u>(10,506)</u>	<u>1,783</u>
<b>Other Financing Sources(Uses)</b>							
Transfer in	0	0	0	0	0	0	0
Transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources(Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(166)	(347)	117	(5,905)	8,792	(10,506)	1,783
Fund Balance - Beginning	<u>1,771</u>	<u>122</u>	<u>7,285</u>	<u>0</u>	<u>(2,023)</u>	<u>0</u>	<u>6,564</u>
Fund Balance - Ending	<u>\$ 1,605</u>	<u>\$ (225)</u>	<u>\$ 7,402</u>	<u>\$ (5,905)</u>	<u>\$ 6,769</u>	<u>\$ (10,506)</u>	<u>\$ 8,347</u>

Special Revenue Funds					Capital Project Funds		Total Governmental Funds
TMDL Phase II	TMDL Phase III	Five Lakes Phase III	Lake Betsy Hypo.	Fertilizer Field Trial	Cedar Albion Startout Henshaw	Lake Louisa Hills Maintenance	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1
0	6,683	1,548	0	0	0	0	8,231
0	0	0	0	0	36,984	0	67,537
0	0	0	0	0	0	2,000	2,082
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,169</u>	<u>0</u>	<u>2,890</u>
<u>0</u>	<u>6,683</u>	<u>1,548</u>	<u>0</u>	<u>0</u>	<u>39,153</u>	<u>2,000</u>	<u>80,741</u>
0	44	1,853	26	10,242	0	0	49,754
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,302</u>	<u>222</u>	<u>13,524</u>
<u>0</u>	<u>44</u>	<u>1,853</u>	<u>26</u>	<u>10,242</u>	<u>13,302</u>	<u>222</u>	<u>63,278</u>
<u>0</u>	<u>6,639</u>	<u>(305)</u>	<u>(26)</u>	<u>(10,242)</u>	<u>25,851</u>	<u>1,778</u>	<u>17,463</u>
0	0	0	0	0	0	0	0
<u>(71,150)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(71,150)</u>
<u>(71,150)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(71,150)</u>
(71,150)	6,639	(305)	(26)	(10,242)	25,851	1,778	(53,687)
<u>71,150</u>	<u>(13,754)</u>	<u>82</u>	<u>0</u>	<u>(3,774)</u>	<u>(38,408)</u>	<u>(9,138)</u>	<u>19,877</u>
<u>\$ 0</u>	<u>\$ (7,115)</u>	<u>\$ (223)</u>	<u>\$ (26)</u>	<u>\$ (14,016)</u>	<u>\$ (12,557)</u>	<u>\$ (7,360)</u>	<u>\$ (33,810)</u>



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### Report on Legal Compliance

Board of Managers  
Clearwater River Watershed District  
Annandale, Minnesota

We have audited the general purpose financial statements of Clearwater River Watershed District as of and for the year ended December 31, 2010, and have issued our report thereon dated July 11, 2011.

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 Legal Compliance Task Force 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 seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and Tax Increment Financing. Our study included all of the listed categories except that we did not test for compliance with Tax Increment Financing because the District does not have Tax Increment Financing.

The result of our tests indicated that for the items tested, Clearwater River Watershed District, complied with the material terms and conditions of applicable legal provisions.

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



Burkhardt & Burkhardt, Ltd.  
Mankato, Minnesota

July 11, 2011

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### Report on Internal Control over Financial Reporting

Board of Managers  
Clearwater River Watershed District  
Annandale, Minnesota

In planning and performing our audit, we considered Clearwater River Watershed District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clearwater River Watershed District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clearwater River Watershed District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- **Lack of Segregation of Accounting Duties**

The District has a service organization handle its accounting needs, that service organization lacks segregation of accounting duties. Management has determined that this deficiency is not practical to correct.

- **Lack of Control over the Financial Reporting Process**

The District's management lacks the training and knowledge to prepare the financial statements and related notes. Because of this, the financial statements and footnotes are prepared by the auditors.

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 Clearwater River Watershed District's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

This report is intended solely for the information and use of the Clearwater River Watershed District and the State of Minnesota. This restriction is not intended to limit the distribution of the report, which is a matter of public record.



Burkhardt & Burkhardt, Ltd  
Mankato Minnesota

July 11, 2011