CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

MANAGEMENT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2023

Burkhardt & Burkhardt, Ltd.
Certified Public Accountants
Mankato, Minnesota

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

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Board of Managers
Clearwater River Watershed District
Annandale, Minnesota

We have audited the 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 (the District) for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 11, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Also, our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. We are responsible for communicating significant matters related to audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting standards were adopted in 2023. The application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate affecting the financial statements were the following:

- Management's estimate of depreciation is based on estimated useful lives of the assets. Depreciation is calculated using the straight-line method.

- Allocations of expenditures are approved by the Board within the District's budget and are derived from the benefits provided to each of the respective functions of the District.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Our audit procedures identified eighteen misstatements. Management has corrected all such misstatements, in addition, three of the misstatements corrected by management were material, either individually or in the aggregate, to the affected opinion unit's financial statements taken as a whole. The material audit entries were related to the following situations:

- Adjust utility accounts receivable.
- Record deferred special assessments.

We also assisted in preparing several year-end accounting entries. These were necessary to adjust the District's records at year end to the correct ending balances. The District should establish more detailed processes and procedures to reduce the total number of entries in each category. The District will receive better and timelier information if the preparation of year-end entries is completed internally. The adjustments we proposed, and management posted to the District's general ledger accounts can be found beginning on page 15.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 29, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Matters

We were engaged to report on the supplementary information (individual fund financial statements and schedules), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Board of Managers
Clearwater River Watershed District
Annandale, Minnesota

Restriction on Use

This communication is intended solely for the information and use of the Board, management and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd.
Mankato, Minnesota
July 29, 2024

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING
AND COMPLIANCE AND OTHER MATTERS
December 31, 2023

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. As described below, we consider the following deficiency in internal control to be a material weakness as item 2023-001.

MATERIAL WEAKNESSES

Finding 2023-001. Material Audit Adjustments

Condition:	The audit firm proposed, and the District approved corrections of certain misstatements.
Criteria	The District should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibility includes adjusting the financial statements to correct material misstatements.
Cause:	The District has not established controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with GAAP.
Effect:	The design of internal control over completeness and accuracy of financial records could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.
Recommendation:	The District should continue to evaluate its internal controls processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

Corrective Action Plan (CAP)

Disagreement with Audit Finding: None

Actions Planned in Response to Finding: The District will continue to review and approve adjusting journal entries as proposed by the auditor, as well as taking responsibility for the audited financial statements.

Official Responsible for Ensuring CAP: Rebecca Carlson, District Administrator

Planned Completion Date for CAP: December 31, 2024

Plan to Monitor Completion of CAP: Board of Managers

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies as items 2023-002 and 2023-003.

SIGNIFICANT DEFICIENCIES

Finding 2023-002. Auditor Prepared Financial Statements and Related Footnotes

Condition:	The District does not have an internal control system designed to provide for the preparation of the financial statements and the related noted being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the District has requested the auditors to prepare them.
Criteria	The preparation of the financial statements and the related notes are the responsibility of management.
Cause:	The District has informed us they do not have the ability to prepare the annual financial statements.
Effect:	This could result in a material misstatement to the financial statements and related notes that would not be prevented, or detected and corrected as a result of the District's current internal control.
Recommendation:	The District should continue to request assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the District can take responsibility for them.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding: None

Actions Planned in Response to Finding: The District is aware of the lack of expertise to ensure all disclosures required by GAAP are included in the financial statements, however, the District will review the notes for accuracy and compare balances in the financial report to the general ledger and other District reports prior to issuance of the financial statements.

Official Responsible for Ensuring CAP: Rebecca Carlson, District Administrator

Planned Completion Date for CAP: December 31, 2024

Plan to Monitor Completion of CAP: Board of Managers

Finding 2023-003. Limited Segregation of Duties

Condition:	There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.
Criteria	There are four general categories of duties: authorization, custody, record keeping, and reconciliation. No one person should have control over more than two of these four responsibilities.
Cause:	The District has assigned duties to staff based on a cost-benefit relationship to the District and the practicality of the level of staffing the District maintains.
Effect:	The lack of adequate segregation of duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.
Recommendation:	The District should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

Board of Managers
Clearwater River Watershed District
Annandale, Minnesota

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding: None

Actions Planned in Response to Finding: The District is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Official Responsible for Ensuring CAP: Rebecca Carlson, District Administrator

Planned Completion Date for CAP: December 31, 2024

Plan to Monitor Completion of CAP: Board of Managers

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65.

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

GENERAL RECOMMENDATIONS
December 31, 2023

Throughout the course of the audit, we spoke to management regarding certain items that we see as an opportunity to improve. None of these were considered significant within the scope of the audit. The items discussed requiring action have been resolved or are in the process of resolution. We would like to acknowledge the assistance and courtesies extended to us by the personnel of the Clearwater River Watershed District.

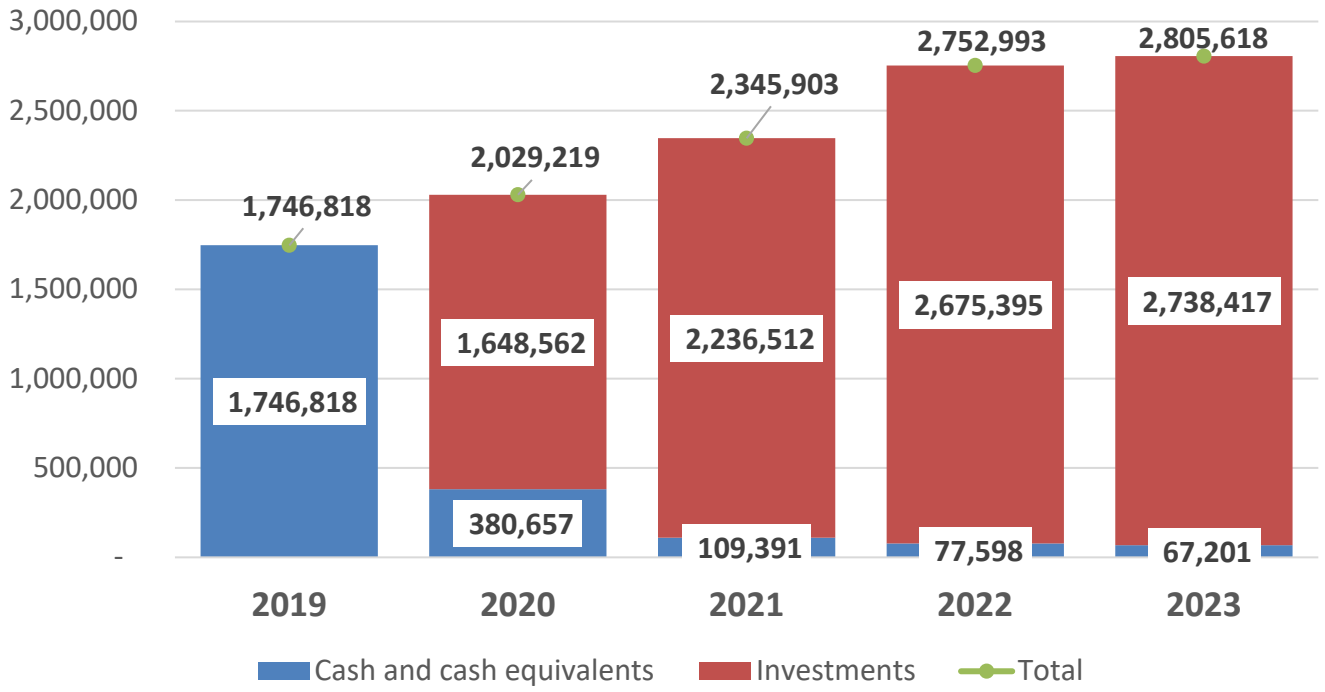
A few of our recommendations are summarized below.

Number	Audit area	Recommendation
1	Cash	The District's pooled cash accounts, specifically the checking & 4M investment, have several funds within these accounts that are currently overdrawn. The overdrawn status of these funds not only affects the accuracy of your financial reporting but also undermines the District's fiscal management and integrity. Allowing these deficits to persist could impact the District's financial health adversely. The District should look to correct these overdrawn amounts immediately
2	Delinquent utility charges	To ensure efficient management of delinquent charges within the utility billing system, the District should establish a policy whereby certified delinquent balances are promptly removed from customer accounts. This proactive measure not only facilitates accurate financial reporting but also mitigates the risk of prolonged outstanding debts. By promptly addressing delinquencies through account adjustments, the District demonstrates its commitment to fiscal responsibility and customer service excellence. Implementing such a policy aligns with industry best practices and promotes transparency and accountability in utility billing operations. Therefore, it is advisable for the District to develop and enforce this policy to uphold the integrity of its financial processes and enhance overall service delivery to residents.

FINANCIAL POSITION AND RESULTS OF OPERATIONS
December 31, 2023

A couple of the most common and comparable metrics used to evaluate the financial health of a government is their cash balances and days of reserves. Days of reserves is best defined as the number of days a government can operate with their year-end cash balance under average annual conditions. Below are graphs and tables showing the District's cash balance and days of reserves for the past five years:

CASH AND INVESTMENT BALANCES



Days of Reserves

	2019	2020	2021	2022	2023
Governmental	595	676	778	922	936
Business-type	586	896	1,075	1,521	1,224

In the current year, the District's cash increased by approximately $40,000 for governmental activities, which was primarily the result of profit in the General fund. As seen in the graph above, cash has been steadily increasing from 2019 – 2022 as a result of the District has keeping expenditures within budget and experiencing increased revenues. Due to the increase in cash the governmental activities, the reserve is now approximately 31 months at the end of the current year.

The business-type activities have been able to maintain a steady cash balance over the past five years. The reserves of the business-type activities were at their highest value in 2022, approximately 50 months, predominantly due to investment earnings in the 4M fund. We recommend striving to maintain a cash reserve of approximately 6-8 months in the business-type activities to allow adequate cash reserves for unexpected expenses.

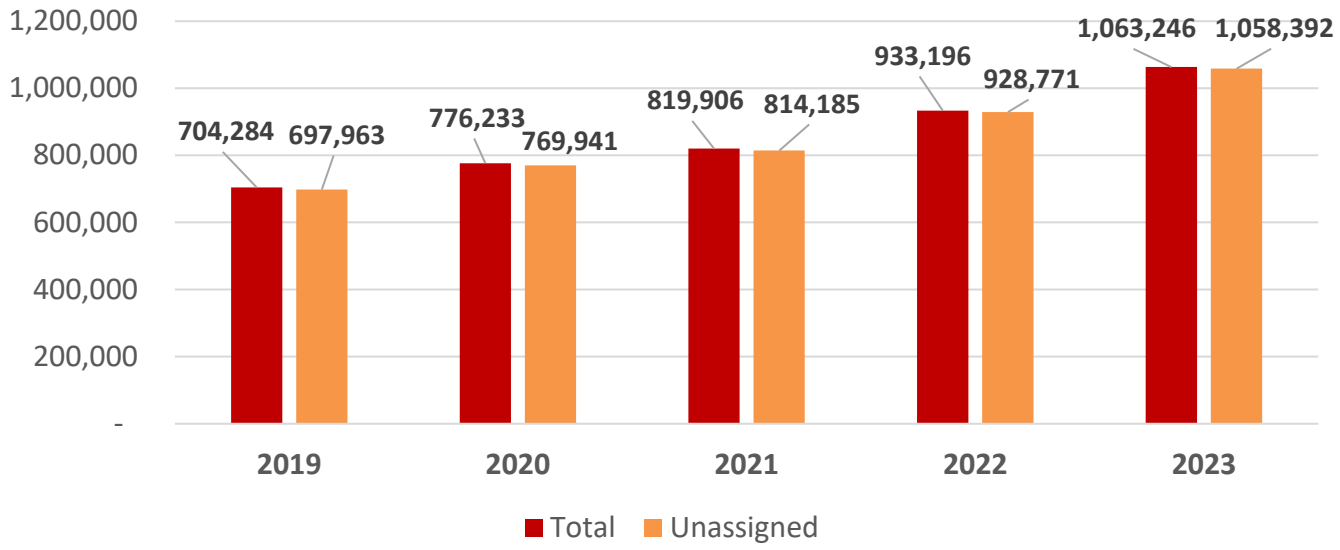
CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

FINANCIAL POSITION AND RESULTS OF OPERATIONS
December 31, 2023

A determination of the financial health of any government begins with an analysis of its General fund, or more specifically, the components of the General fund balance. The General fund's unassigned fund balance is a vital component of this analysis, as it represents the portion of fund balance management, and the District Board has discretionary spending authority over. It is important for the District to maintain an adequate amount of unassigned fund balance to ensure resources are available to meet any unexpected disbursements during the year, as well as provide funding for District services between property tax and state aid collections.

As the District completed the fiscal year, its General fund reported a combined fund balance of $1,063,246. This was up from $933,196 at the end of the prior year, an increase of approximately $130,000. The unassigned fund balance constitutes $1,058,392 of the total combined fund balance. The remainder of the fund balance is either not in spendable form or is reserved and is not available for new spending as it has already been restricted, committed, or assigned for other purposes.

COMPONENTS OF FUND BALANCE – GENERAL FUND



	2019	2020	2021	2022	2023
Fund balance percentage	370%	428%	490%	591%	622%
OSA recommended fund balance	$ 94,000	$ 90,000	$ 83,000	$ 79,000	$ 85,000
Auditor recommended fund balance	$ 141,000	$ 135,000	$ 125,000	$ 118,000	$ 128,000
Excess/(deficiency)	$ 557,000	$ 635,000	$ 689,000	$ 811,000	$ 930,000

The District's unassigned fund balance as a percentage of current year expenditures was 622% at the end of the current year. This is up from 591% in 2022. The Office of the State Auditor (OSA) has a Statement of Position recommending the level of unassigned fund balance as 40-50% of current year expenditures. Our firm suggests a percentage of no less than 75%. This amount is based on a review of recent debt rating reports by national rating agencies. In the current year, the District has exceeded both the recommendation of the OSA and our firm's recommendation by $930,000.

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

FINANCIAL POSITION AND RESULTS OF OPERATIONS
December 31, 2023

Budgetary results of the general fund are an important observation over management's ability to execute a financial plan to provide for basic public services typically performed by the general fund. It is important for management to use all available information when constructing the annual budget, including 3-5 years of historical data and outside data sources when formulating its line-item budget. Creating or updating long-term capital and financial plans should also be considered during this process.

The results of the General fund's budget for the most recent year-end are summarized below.

BUDGET AND ACTUAL - GENERAL FUND

	Budget	Actual	Variance with Budget
Revenues	$ -	$ 300,243	$ 300,243
Expenditures	-	170,193	170,193
Change in fund balance	$ -	$ 130,050	$ 130,050

At the completion of the current fiscal year, the overall change in fund balance for the General fund was $130,050. The change in fund balance exceeded budget projections by $130,050. The District experienced revenues in excess of the budget by approximately $300,243. The excess revenues was mostly related to no budget for property taxes. In 2023, expenditures were in excess of appropriations by approximately $170,000. The excess disbursements were primarily related to the Board not adopting an expenditure budget for 2023. The excess disbursements were funded with excess revenues and available fund balance.

The business-type activities, or *enterprise funds*, provide critical services to residents of the District. These activities are described as business-type activities due to the presumption that they will operate in a profitable manner. Profit and loss, although important and worthy of evaluation, are not the sole criteria to evaluate the performance and health of enterprise funds. Profit and loss can be impacted by conditions beyond the control of the government (Net Pension Liabilities) as well as accounting adjustments required by general accepted accounting principles. Therefore, we hold the view that positive cash flow from operations is the main assessment to determine the health of the enterprise funds. Positive cash flow from operations is essential to enterprise funds for two primary reasons; 1) it provides cash for capital expenditures, and 2) it provides cash to service the enterprise fund's debt. When setting user fees, management must consider the enterprise fund's cash needs related to capital replacement and debt service to ensure adequate cash flows.

The table below summarizes the cash flows from operations and other sources (uses) of cash during the year.

CASH FLOWS – ENTERPRISE FUNDS

	Hidden River	Rest a while	Clearwater Harbor	Wandering ponds
Cash provided from operating activities	**$ 13,795**	**$ 3,004**	**$ (10,370)**	**$ (5,199)**
Net investment activity	(13,848)	(5,495)	9,893	8,103
Increase (decrease) in cash	**$ (53)**	**$ (2,491)**	**$ (477)**	$ 2,904
Cash balance - 12/31/2023	**$ (39,307)**	$ 2,324	**$ (37,324)**	$ 8,963

Historical increases (decreases) in cash	Hidden River	Rest a while	Clearwater Harbor	Wandering ponds
2022	$ 7,262	$ 2,974	$ 13,413	$ 3,902
2021	**(8,590)**	**(2,838)**	**(7,363)**	**(3,355)**
2020	8,530	**(7,207)**	**(135,178)**	**(56,171)**
2019	**(16,044)**	3,053	20,673	5,005
Five year average	**$ (1,779)**	**$ (1,302)**	**$ (21,786)**	**$ (9,543)**

For the current fiscal year-end, all enterprise funds reported positive cash flows from operations, except for Clearwater Harbor and Wandering Ponds. The enterprise funds, based on the historical increase (decrease) in cash balances, appear to not have a user rate structure sufficient to meet their capital and operational needs. User rates for the sewer funds should be continually evaluated to determine if they are adequate to continue to fund operations without the need for support via property taxes.

FUTURE ACCOUNTING STANDARD CHANGES
December 31, 2023

GASB Statement No. 99, Omnibus 2022

In April of 2022, the Government Accounting Standards Board issued GASB Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

How will this Statement improve accounting and financial reporting?

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

Effective date and transition

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62

In June of 2022, the Government Accounting Standards Board issued GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

How will this Statement improve accounting and financial reporting?

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Effective date and transition

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, Compensated Absences

In June of 2022, the Government Accounting Standards Board issued GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

How will this Statement improve accounting and financial reporting?

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

Effective date and transition

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2023

Account	Description	Debit	Credit
AA01	**Reverse**		
Record AP found in testing. DAU			
100-40100-433	Dues & Subscriptions	5,000.00	0.00
100-20200	Accounts Payable	0.00	5,000.00
Total		**5,000.00**	**5,000.00**
AA02			
Record CY Depreciation. LJR			
610-16430	Fixed Asset-Equip Accum Deprec	0.00	27,046.13
610-49490-420	Depreciation	27,046.13	0.00
620-16430	Fixed Asset-Equip Accum Deprec	0.00	2,643.45
620-49970-420	Depreciation	2,643.45	0.00
630-16430	Fixed Asset-Equip Accum Deprec	0.00	94,260.06
630-49970-420	Depreciation	94,260.06	0.00
650-16430	Fixed Asset-Equip Accum Deprec	0.00	2,450.00
650-49970-420	Depreciation	2,450.00	0.00
901-16430	Fixed Asset-Equip Accum Deprec	0.00	106,264.52
901-49970-420	Depreciation	106,264.52	0.00
Total		**232,664.16**	**232,664.16**
AA03			
Adjust CY Utility AR Receivable. LJR			
610-11500	Accounts Receivable	0.00	6,027.81
610-37210	Sewer Service Charges	6,027.81	0.00
620-11500	Accounts Receivable	0.00	725.12
620-37210	Sewer Service Charges	725.12	0.00
630-11500	Accounts Receivable	0.00	11,444.81
630-37210	Sewer Service Charges	11,444.81	0.00
650-11500	Accounts Receivable	0.00	3,736.03
650-37210	Sewer Service Charges	3,736.03	0.00
Total		**21,933.77**	**21,933.77**
AA04			
Adjust Utility revenue. LJR			
620-37210	Sewer Service Charges	1,098.88	0.00
630-37210	Sewer Service Charges	234.81	0.00
650-37210	Sewer Service Charges	0.00	1,333.69
620-10110	US Bank Checking	0.00	1,098.88
630-10110	US Bank Checking	0.00	234.81
650-10110	US Bank Checking	1,333.69	0.00
Total		**2,667.38**	**2,667.38**
AA05			
Record deferred special assessments			
220-12100	Special Assess Rec-Current	24,734.80	0.00
220-12300	Special Assess Rec-Deferred	123,677.65	0.00
220-22200	Deferred Revenues	0.00	148,412.45
231-12100	Special Assess Rec-Current	37,418.76	0.00
231-12300	Special Assess Rec-Deferred	153,169.02	0.00
231-22200	Deferred Revenues	0.00	190,587.78
301-12100	Special Assess Rec-Current	35,083.21	0.00
301-12300	Special Assess Rec-Deferred	0.00	167,806.06
301-22200	Deferred Revenues	132,722.85	0.00
Total		**506,806.29**	**506,806.29**
AA06			
Record delinquent UB assessments certified in 2023			
610-12100	Special Assess Rec-Current	1,693.28	0.00
610-11500	Accounts Receivable	0.00	1,693.28
630-12100	Special Assess Rec-Current	4,414.84	0.00
630-11500	Accounts Receivable	0.00	4,414.84
650-12100	Special Assess Rec-Current	1,888.80	0.00
650-11500	Accounts Receivable	0.00	1,888.80
Total		**7,996.92**	**7,996.92**

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2023

AA07			
Correct posting of special assessments			
210-36101	Spec. Assess. - Principal	1,553.46	0.00
210-10110	US Bank Checking	0.00	1,553.46
215-36101	Spec. Assess. - Principal	95.97	0.00
215-10110	US Bank Checking	0.00	95.97
201-36101	Spec. Assess. - Principal	0.00	36.33
201-10110	US Bank Checking	36.33	0.00
202-36101	Spec. Assess. - Principal	17.03	0.00
202-10110	US Bank Checking	0.00	17.03
203-36101	Spec. Assess. - Principal	0.00	20.69
203-10110	US Bank Checking	20.69	0.00
204-36101	Spec. Assess. - Principal	57.81	0.00
204-10110	US Bank Checking	0.00	57.81
206-36101	Spec. Assess. - Principal	46.30	0.00
206-10110	US Bank Checking	0.00	46.30
216-36101	Spec. Assess. - Principal	31.63	0.00
216-10110	US Bank Checking	0.00	31.63
217-36101	Spec. Assess. - Principal	87.41	0.00
217-10110	US Bank Checking	0.00	87.41
220-36101	Spec. Assess. - Principal	74.35	0.00
220-10110	US Bank Checking	0.00	74.35
231-36101	Spec. Assess. - Principal	232.40	0.00
231-10110	US Bank Checking	0.00	232.40
232-36101	Spec. Assess. - Principal	8.60	0.00
232-10110	US Bank Checking	0.00	8.60
301-36101	Spec. Assess. - Principal	0.00	1,304.15
301-10110	US Bank Checking	1,304.15	0.00
610-36101	Spec. Assess. - Principal	0.00	84.84
610-10110	US Bank Checking	84.84	0.00
620-36101	Spec. Assess. - Principal	50.00	0.00
620-10110	US Bank Checking	0.00	50.00
630-36101	Spec. Assess. - Principal	0.00	800.28
630-10110	US Bank Checking	800.28	0.00
650-36101	Spec. Assess. - Principal	0.00	1,570.21
650-10110	US Bank Checking	1,570.21	0.00
100-10110	US Bank Checking	0.00	1,561.54
100-46105-439	Other Miscellaneous	1,561.54	0.00
Total		**7,633.00**	**7,633.00**

NC01	**Reverse**		
Record AP in closing. DAU			
100-10120	US Bank 4M Fund	13,619.08	0.00
100-10110	US Bank Checking	12.00	0.00
100-20200	Accounts Payable	0.00	13,631.08
205-10120	US Bank 4M Fund	120.00	0.00
205-20200	Accounts Payable	0.00	120.00
210-10120	US Bank 4M Fund	4,605.70	0.00
210-20200	Accounts Payable	0.00	4,605.70
215-10120	US Bank 4M Fund	330.00	0.00
215-20200	Accounts Payable	0.00	330.00
231-10120	US Bank 4M Fund	80.94	0.00
231-20200	Accounts Payable	0.00	80.94
232-10120	US Bank 4M Fund	6,841.15	0.00
232-20200	Accounts Payable	0.00	6,841.15
233-10120	US Bank 4M Fund	660.00	0.00
233-20200	Accounts Payable	0.00	660.00
406-10120	US Bank 4M Fund	5,251.22	0.00
406-20200	Accounts Payable	0.00	5,251.22
407-10120	US Bank 4M Fund	705.00	0.00
407-20200	Accounts Payable	0.00	705.00
610-10120	US Bank 4M Fund	924.12	0.00
610-20200	Accounts Payable	0.00	924.12
620-10120	US Bank 4M Fund	85.76	0.00
620-20200	Accounts Payable	0.00	85.76
630-10120	US Bank 4M Fund	3,311.92	0.00
630-20200	Accounts Payable	0.00	3,311.92
650-10120	US Bank 4M Fund	3,742.54	0.00
650-20200	Accounts Payable	0.00	3,742.54
Total		**40,289.43**	**40,289.43**

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2023

NC02			
Adjust prepaid expenses and nonspendable fund balance. DAU			
100-15500	Prepaid Items	429.39	0.00
100-40100-361	General Liability	0.00	429.39
610-15500	Prepaid Items	168.09	0.00
610-49490-360	INSURANCE [HEAD]	0.00	168.09
620-15500	Prepaid Items	34.00	0.00
620-49490-360	INSURANCE [HEAD]	0.00	34.00
630-15500	Prepaid Items	270.93	0.00
630-49490-360	INSURANCE [HEAD]	0.00	270.93
650-15500	Prepaid Items	46.20	0.00
650-49490-360	INSURANCE [HEAD]	0.00	46.20
100-24400	Nonspendable Fund Balance	0.00	429.39
100-25300	Unreserved Fund Balance	429.39	0.00
Total		**1,378.00**	**1,378.00**
NC03			
Record CY debt payment against liability. LJR			
902-22500	Bonds Payable-Current Portion	46,387.08	0.00
902-18200	Amount Provided for Debt Retir	0.00	46,387.08
Total		**46,387.08**	**46,387.08**
NC04			
Adjust current portion of debt. LJR			
902-19100	Less: Current Portion	1,834.85	0.00
902-22100	Current Portion	0.00	1,834.85
Total		**1,834.85**	**1,834.85**
NC05			
Adjust CY interest payable for debt. LJR			
902-21500	Accrued Interest Payable	597.96	0.00
902-49300-610	DEBT SERVICE - INTEREST [HEAD]	0.00	597.96
Total		**597.96**	**597.96**
NC06			
Adjust delinquent property taxes			
100-10700	Taxes Receivable-Delinquent	291.14	0.00
100-22200	Deferred Revenues	0.00	291.14
205-10700	Taxes Receivable-Delinquent	0.00	89.20
205-22200	Deferred Revenues	89.20	0.00
Total		**380.34**	**380.34**
NC07	**Reverse**		
Record January tax settlement			
100-10500	Taxes Receivable-Current	2,130.14	0.00
100-31010	Current Ad Valorem Taxes	0.00	2,130.14
205-31010	Current Ad Valorem Taxes	7.62	0.00
205-10500	Taxes Receivable-Current	0.00	7.62
201-12200	Special Assess Rec-Delinquent	23.03	0.00
201-36101	Spec. Assess. - Principal	0.00	23.03
202-12200	Special Assess Rec-Delinquent	114.45	0.00
202-36101	Spec. Assess. - Principal	0.00	114.45
206-12200	Special Assess Rec-Delinquent	13.74	0.00
206-36101	Spec. Assess. - Principal	0.00	13.74
210-12200	Special Assess Rec-Delinquent	1,553.46	0.00
210-36101	Spec. Assess. - Principal	0.00	1,553.46
215-12200	Special Assess Rec-Delinquent	70.15	0.00
215-36101	Spec. Assess. - Principal	0.00	70.15
216-12200	Special Assess Rec-Delinquent	93.25	0.00
216-36101	Spec. Assess. - Principal	0.00	93.25
217-12200	Special Assess Rec-Delinquent	139.24	0.00
217-36101	Spec. Assess. - Principal	0.00	139.24
231-12200	Special Assess Rec-Delinquent	257.43	0.00
231-36101	Spec. Assess. - Principal	0.00	257.43
232-12200	Special Assess Rec-Delinquent	25.97	0.00
232-36101	Spec. Assess. - Principal	0.00	25.97
301-12200	Special Assess Rec-Delinquent	311.59	0.00
301-36101	Spec. Assess. - Principal	0.00	311.59
Total		**4,740.07**	**4,740.07**

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2023

NC08			
Reclassify incorrect coding of special assessments			
202-31010	Current Ad Valorem Taxes	3,645.57	0.00
202-36101	Spec. Assess. - Principal	0.00	3,645.57
205-10110	US Bank Checking	533.30	0.00
205-36101	Spec. Assess. - Principal	0.00	533.30
210-10110	US Bank Checking	750.93	0.00
210-36101	Spec. Assess. - Principal	0.00	750.93
301-36101	Spec. Assess. - Principal	1,284.23	0.00
301-10110	US Bank Checking	0.00	1,284.23
Total		**6,214.03**	**6,214.03**
NC09			
Adjust delinquent UB assessments			
610-12100	Special Assess Rec-Current	0.00	2,776.26
620-12100	Special Assess Rec-Current	0.00	997.60
630-12100	Special Assess Rec-Current	0.00	4,563.92
650-12100	Special Assess Rec-Current	0.00	1,405.90
610-12200	Special Assess Rec-Delinquent	0.00	284.84
630-12200	Special Assess Rec-Delinquent	0.00	270.81
650-12200	Special Assess Rec-Delinquent	0.00	652.21
610-36101	Spec. Assess. - Principal	3,061.10	0.00
620-36101	Spec. Assess. - Principal	997.60	0.00
630-36101	Spec. Assess. - Principal	4,834.73	0.00
650-36101	Spec. Assess. - Principal	2,058.11	0.00
Total		**10,951.54**	**10,951.54**
NC10			
Record delinquent special assessments			
201-12200	Special Assess Rec-Delinquent	49.05	0.00
201-22200	Deferred Revenues	0.00	49.05
202-12200	Special Assess Rec-Delinquent	346.38	0.00
202-22200	Deferred Revenues	0.00	346.38
206-12200	Special Assess Rec-Delinquent	282.64	0.00
206-22200	Deferred Revenues	0.00	282.64
210-12200	Special Assess Rec-Delinquent	5,373.83	0.00
210-22200	Deferred Revenues	0.00	5,373.83
215-12200	Special Assess Rec-Delinquent	1,370.47	0.00
215-22200	Deferred Revenues	0.00	1,370.47
216-12200	Special Assess Rec-Delinquent	470.25	0.00
216-22200	Deferred Revenues	0.00	470.25
217-12200	Special Assess Rec-Delinquent	1,008.14	0.00
217-22200	Deferred Revenues	0.00	1,008.14
220-12200	Special Assess Rec-Delinquent	263.26	0.00
220-22200	Deferred Revenues	0.00	263.26
231-12200	Special Assess Rec-Delinquent	1,591.26	0.00
231-22200	Deferred Revenues	0.00	1,591.26
232-12200	Special Assess Rec-Delinquent	77.15	0.00
232-22200	Deferred Revenues	0.00	77.15
301-12200	Special Assess Rec-Delinquent	1,352.10	0.00
301-22200	Deferred Revenues	0.00	1,352.10
Total		**12,184.53**	**12,184.53**
NC11			
Adjust net investment in capital assets			
610-28000	Investment General Fixed Asset	27,046.13	0.00
610-25300	Unreserved Fund Balance	0.00	27,046.13
620-28000	Investment General Fixed Asset	2,643.45	0.00
620-25300	Unreserved Fund Balance	0.00	2,643.45
630-28000	Investment General Fixed Asset	94,260.06	0.00
630-25300	Unreserved Fund Balance	0.00	94,260.06
650-28000	Investment General Fixed Asset	2,450.00	0.00
650-25300	Unreserved Fund Balance	0.00	2,450.00
Total		**126,399.64**	**126,399.64**
GRAND TOTAL		**1,036,058.99**	**1,036,058.99**

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2023

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

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CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

GOVERNANCE AND ADMINISTRATION
December 31, 2023

APPOINTED OFFICIALS

Board of Managers	Position	Term Expires
Robert Schiefelbein	President	August 2024
Chris Uecker	Vice President	August 2025
Dawn Cole	Secretary	August 2026
Dale Homuth	Treasurer	August 2026
Brian Tommerdahl	Member	August 2026

ADMINISTRATION

Rebecca Carlson	Administrator
JASS Administrative Services	Bookkeeping

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Mankato, MN 56001
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Experienced... *Over 40 years combined experience*

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INDEPENDENT AUDITOR'S REPORT

Board of Managers
Clearwater River Watershed District
Annandale, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Members of the Governmental Audit Quality Center, American Institute of Certified Public Accountants and the Minnesota Society of Certified Public Accountants

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, listed under required supplemental information in the table of contents, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information, as listed in the table of contents under supplemental section, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

We have previously audited the District's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated July 17, 2023. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
July 29, 2024

BASIC FINANCIAL STATEMENTS

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

STATEMENT OF NET POSITION
December 31, 2023

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and Cash Equivalents	$ 132,545	$ 11,287	$ 143,832
Investments	2,426,490	311,927	2,738,417
Receivables:			
Accounts	0	41,285	41,285
Property Taxes	6,976	0	6,976
Special Assessments	586,494	0	586,494
Prepaid Expenses	4,854	4,975	9,829
Capital Assets	2,350,574	4,293,550	6,644,124
Accumulated Depreciation	(790,994)	(1,744,330)	(2,535,324)
TOTAL ASSETS	$ 4,716,939	$ 2,918,694	$ 7,635,633
LIABILITIES AND NET POSITION			
Liabilities			
Deficit Cash Balances	$ 0	$ 76,631	$ 76,631
Accounts Payable	37,230	8,067	45,297
Accrued Expenses	4,740	0	4,740
Unearned Revenue	0	5,154	5,154
Current Portion of Long-Term Debt	48,222	0	48,222
Long-Term Debt, Net of Current Portion	302,450	0	302,450
Total Liabilities	392,642	89,852	482,494
Net Position			
Net Investment in Capital Assets	1,208,908	2,549,221	3,758,129
Restricted	481,629	0	481,629
Unrestricted	2,633,760	279,621	2,913,381
Total Net Position	4,324,297	2,828,842	7,153,139
TOTAL LIABILITIES AND NET POSITION	$ 4,716,939	$ 2,918,694	$ 7,635,633

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, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-type Activities	Net (Expenses) Revenues and Changes in Net Position: Totals
GOVERNMENTAL ACTIVITIES:							
General Government	$ 276,458	$ 0	$ 0	$ 0	$ (276,458)	$ 0	$ (276,458)
Special Revenue	533,146	334,241	0	335,421	136,516	0	136,516
Capital Projects	13,757	0	0	0	(13,757)	0	(13,757)
Interest on Long-term Debt	14,828	0	0	0	(14,828)	0	14,828
Total Governmental Activities	838,189	334,241	0	335,421	(168,527)	0	(138,871)
BUSINESS-TYPE ACTIVITIES:							
Sanitary Sewer System	228,530	100,761	0	0	0	(127,769)	(127,769)
Total Primary Government	$ 1,066,719	$ 435,002	$ 0	$ 335,421	(168,527)	(127,769)	(266,640)
General Revenues:							
Property Taxes, Levied for General Purposes					247,583	0	247,583
Intergovernmental					3,013	0	3,013
Interest and Investments Earnings					116,079	11,371	127,450
Other Revenues					628	373	1,001
Total General Revenues					367,303	11,744	379,047
Changes in Net Position					198,776	(116,025)	82,751
Net Position - January 1					4,125,521	2,944,867	7,070,388
Net Position - December 31					$ 4,324,297	$ 2,828,842	$ 7,153,139

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, 2023

	General	Chain of Lakes Operations & Maintenance	Bass Lake AIS	Clearwater Lake AIS
ASSETS				
Cash and Cash Equivalents	$ 84,582	$ 82,831	$ 4,987	$ 42,730
Investments	990,287	415,074	66,594	248,505
Property Taxes Receivable	6,943	0	0	0
Special Assessments Receivable	72	6,927	148,676	192,437
Prepaid Expenses	4,854	0	0	0
TOTAL ASSETS	$ 1,086,738	$ 504,832	$ 220,257	$ 483,672
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts Payable	$ 18,630	$ 4,606	$ 1	$ 81
Deficit Cash and Cash Equivalents	0	0	0	0
Total Liabilities	18,630	4,606	1	81
Deferred Inflows of Resources				
Unavailable Revenue	4,862	5,374	148,676	192,179
Fund Balances				
Nonspendable	4,854	0	0	0
Restricted	0	0	0	0
Committed	0	494,852	71,580	291,412
Unassigned	1,058,392	0	0	0
Total Fund Balances	1,063,246	494,852	71,580	291,412
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 1,086,738	$ 504,832	$ 220,257	$ 483,672

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

Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
$ 0	$ 0	$ 215,130
166,108	539,922	2,426,490
0	33	6,976
234,370	4,012	586,494
0	0	4,854
$ 400,478	$ 543,967	$ 3,239,944
$ 0	$ 13,912	$ 37,230
63,830	18,755	82,585
63,830	32,667	119,815
234,059	3,595	588,745
0	0	4,854
102,589	149,721	252,310
0	420,846	1,278,690
0	(62,862)	995,530
102,589	507,705	2,531,384
$ 400,478	$ 543,967	$ 3,239,944

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 OF NET POSITION - GOVERNMENTAL FUNDS
December 31, 2023

Total Fund Balances - Governmental Funds	$ 2,531,384
Amounts reported for Governmental Activities in the Statement of Net Position 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	2,350,574
Less: Accumulated Depreciation	(790,994)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Note payable	(350,672)
Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	
Delinquent property taxes	4,854
Special Assessments	583,891
Governmental funds do not report a liability for accrued interest payable until due and payable.	(4,740)
Total Net Position - Governmental Activities	$ 4,324,297

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

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CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	General	Chain of Lakes Operations & Maintenance	Bass Lake AIS	Clearwater Lake AIS
Revenues:				
Property Taxes	$ 247,458	$ 0	$ 0	$ 0
Intergovernmental	3,013	0	0	0
Special Assessments	3,677	181,577	32,151	45,691
Other Revenues	628	0	0	0
Interest Earnings	45,467	23,728	2,442	12,968
Total Revenues	300,243	205,305	34,593	58,659
Expenditures:				
Current:				
Governance	24,493	0	0	0
Administration & General	122,719	6,336	1,210	2,197
Technical & Engineering	13,915	17,513	0	0
Operation & Maintenance	1,062	247,165	0	24,055
Water Quality Monitoring	4,529	70,833	0	294
Other Special Projects	3,475	0	0	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal	0	0	0	0
Interest and Fiscal Fees	0	0	0	0
Total Expenditures	170,193	341,847	1,210	26,546
Change in Fund Balance	130,050	(136,542)	33,383	32,113
Fund Balance - January 1	933,196	631,394	38,197	259,299
Fund Balance - December 31	$ 1,063,246	$ 494,852	$ 71,580	$ 291,412

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

Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
$ 0	$ (77)	$ 247,381
0	0	3,013
48,096	140,008	451,200
0	0	628
8,161	23,313	116,079
56,257	163,244	818,301
0	0	24,493
0	10,677	143,139
0	32,058	63,486
0	97,099	369,381
0	34,895	110,551
0	0	3,475
0	2,571	2,571
46,387	0	46,387
15,428	0	15,428
61,815	177,300	778,911
(5,558)	(14,056)	39,390
108,147	521,761	2,491,994
$ 102,589	$ 507,705	$ 2,531,384

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, 2023

Total Net Change in Fund Balances - Governmental Funds	$ 39,390
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.	
Depreciation	(106,265)
The issuance of long-term debt provides current financial resources to Governmental fund, while the repayment of principal of long-term debt consumes the current financial resources. Neither transaction, however, has any effect on net position.	
Principal payments	46,387
Interest on long-term debt in the Statement of Activities differ from the amount reported in the Governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	600
Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent property taxes	202
Special Assessments	218,462
Change in Net Position - Governmental Activities	$ 198,776

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

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETEARY FUNDS
December 31, 2023

	Business-type Activities - Enterprise Funds				
	Hidden River Maintenance	Rest a while Maintenance	Clearwater Harbor Maintenance	Wandering Ponds	Totals
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 0	$ 2,324	$ 0	$ 8,963	$ 11,287
Investments	58,975	23,365	159,494	70,093	311,927
Accounts Receivable	11,974	2,690	20,221	6,400	41,285
Prepaid Expenses	1,279	330	2,922	444	4,975
Total Current Assets	72,228	28,709	182,637	85,900	369,474
Noncurrent Assets:					
Capital Assets	1,078,432	141,138	3,002,480	71,500	4,293,550
Less: Accumulated Depreciation	(331,495)	(53,530)	(1,320,034)	(39,271)	(1,744,330)
Net Capital Assets	746,937	87,608	1,682,446	32,229	2,549,220
TOTAL ASSETS	$ 819,165	$ 116,317	$ 1,865,083	$ 118,129	$ 2,918,694
LIABILITIES AND NET POSITION					
Current Liabilities:					
Deficit Cash Balances	$ 39,307	$ 0	$ 37,324	$ 0	$ 76,631
Accounts Payable	923	87	3,314	3,743	8,067
Unearned Revenue	1,904	444	2,200	606	5,154
Total Current Liabilities	42,134	531	42,838	4,349	89,852
Net Position:					
Net Investment in Capital Assets	746,938	87,608	1,682,446	32,229	2,549,221
Unrestricted	30,093	28,178	139,799	81,551	279,621
Total Net Position	777,031	115,786	1,822,245	113,780	2,828,842
TOTAL LIABILITIES AND NET POSITION	$ 819,165	$ 116,317	$ 1,865,083	$ 118,129	$ 2,918,694

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 NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds				
	Hidden River Maintenance	Rest a while Maintenance	Clearwater Harbor Maintenance	Wandering Ponds	Totals
Operating Revenues:					
Charges for Services	$ 32,634	$ 7,290	$ 51,399	$ 9,438	$ 100,761
Operating Expenses:					
Administration & General	8,218	2,459	20,687	13,457	44,821
Routine Maintenance	9,017	1,230	43,496	3,565	57,308
Repairs & Maintenance	0	0	2	0	2
Depreciation	27,046	2,643	94,260	2,450	126,399
Total Operating Expenses	44,281	6,332	158,445	19,472	228,530
Income (Loss) from Operations	(11,647)	958	(107,046)	(10,034)	(127,769)
Nonoperating Revenues (Expenses):					
Interest Earnings	594	1,099	5,969	3,709	11,371
Other Revenues	112	0	261	0	373
Total Nonoperating Revenues (Expenses)	706	1,099	6,230	3,709	11,744
Change in Net Position	(10,941)	2,057	(100,816)	(6,325)	(116,025)
Net Position - January 1	787,972	113,729	1,923,061	120,105	2,944,867
Net Position - December 31	$ 777,031	$ 115,786	$ 1,822,245	$ 113,780	$ 2,828,842

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, 2023

	Business-type Activities - Enterprise Funds				
	Hidden River Maintenance	Rest a while Maintenance	Clearwater Harbor Maintenance	Wandering Ponds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	$ 30,906	$ 7,740	$ 52,436	$ 10,785	$ 101,867
Payments to Suppliers	(17,223)	(4,736)	(63,067)	(15,984)	(101,010)
Other Receipts	112	0	261	0	373
Net Cash from Operating Activities	13,795	3,004	(10,370)	(5,199)	1,230
CASH FLOWS FROM NONCAPITAL FINANCING ACTVITIES					
Net Sales/(Purchases) of Investments	(13,848)	(5,495)	9,893	8,103	(1,347)
Change in Cash and Cash Equivalents	(53)	(2,491)	(477)	2,904	(117)
Cash and Cash Equivalents - January 1	(39,254)	4,815	(36,847)	6,059	(65,227)
Cash and Cash Equivalents - December 31	$ (39,307)	$ 2,324	$ (37,324)	$ 8,963	$ (65,344)
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:					
Income (Loss) from Operations	$ (11,647)	$ 958	$ (107,046)	$ (10,034)	$ (127,769)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:					
Other Receipts	112	0	261	0	373
Depreciation Expense	27,046	2,643	94,260	2,450	126,399
(Increase) Decrease in:					
Accounts Receivable	(1,728)	450	1,037	1,347	1,106
Prepaid Expenses	(168)	(34)	(271)	(46)	(519)
Increase (Decrease) in:					
Accounts Payable	111	(1,089)	1,231	618	871
Unearned Revenue	69	76	158	466	769
Net Cash from Operating Activities	$ 13,795	$ 3,004	$ (10,370)	$ (5,199)	$ 1,230

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Clearwater River Watershed District (the District) was organized under provisions of Minnesota Statutes Chapter 103D. The District is governed by a Board of Managers (the Board) composed of five members appointed by the counties within the area of the District boundaries. The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the District.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government. 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 financially accountable.

Component units for which the District has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. 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 data of the District. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally from the District. Based on the foregoing criteria as of December 31, the District had no blended or discretely presented component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District and its component units. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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. Internally dedicated revenues are reported as general revenues rather than as program 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. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

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 and the fiduciary 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.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 *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 fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses 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 susceptible to accrual as revenue of the current period. All other revenue items are measurable and available only when cash is received by the District.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on an accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred inflows of resources in the fund financial statements.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The District reports the following major governmental funds:

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Operations and Maintenance fund* accounts for revenues and accumulated resources necessary for the maintenance of the original Clearwater Chain of Lakes Restoration Project.

The *Bass Lake AIS fund* accounts for revenues and accumulated resources necessary to monitor lake health in the watershed.

The *Clearwater Lake AIS fund* accounts for revenues and accumulated resources necessary to monitor lake health in the watershed.

The *Debt Service fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The District reports the following major proprietary funds:

The *Hidden River Sanitary Sewer Maintenance fund* accounts for the costs associated with the District's sanitary sewer system of Hidden River and ensures that user charges are sufficient to meet those costs.

The *Rest a While Sanitary Sewer Maintenance fund* accounts for the costs associated with the District's sanitary sewer system of Rest a While and ensures that user charges are sufficient to meet those costs.

The *Clearwater Harbor Sanitary Sewer Maintenance fund* accounts for the costs associated with the District's sanitary sewer system of Clearwater Harbor and ensures that user charges are sufficient to meet those costs.

The *Wandering Ponds Sanitary Sewer Maintenance fund* accounts for the costs associated with the District's sanitary sewer system of Wandering Ponds and ensures that user charges are sufficient to meet those costs.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 District enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, 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.

D. Assets, liabilities, deferred inflows of resources, and net position/fund balance

Deposits and investments

The District's cash and cash equivalents are cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated based on applicable participation by each of the funds.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies and maturing in 270 days or less.

7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment earnings are accrued at the Balance Sheet date.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

See Note 3 for the District's recurring fair value measurements as of December 31, 2023.

Property taxes

The District Board annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the District during January, June and December each year.

Taxes payable on homestead property, as defined by Minnesota statutes, were partially reduced by a market value credit aid. The credit is paid to the District by the State in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Delinquent taxes receivable includes the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2023. The District annually certifies delinquent accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessment receivables are offset by a deferred inflow of resources in the fund financial statements.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Unearned revenue

Unearned revenues are reported as a liability in the governmental funds Balance Sheet and Statement of Net Position. The District recognizes revenues when earned and amounts received in advance of the period in which services are rendered are recorded as a liability. Unearned revenue arises from two sources: prepayment of service-type special assessments by property owners and grant receipts in excess of grant expenditures.

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than the thresholds below (amount not rounded) and an estimated useful life in excess of one year. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Assets	Capitalization Threshold
Land improvements	$ 10,000
Buildings and improvements	25,000
Infrastructure	100,000
Machinery and equipment	5,000

As the District constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the District values these capital assets at the acquisition value of the item at the date of its donation.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings and improvements	15 to 75
Infrastructure	20 to 60
Machinery and equipment	3 to 15

Deferred outflows/inflows of resources

In addition to liabilities, the statement of financial position and fund 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 government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net position

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position is displayed in three components:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the District Council, which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the District Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the District Board itself or by an official to which the governing body delegates the authority. The District Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the District Administrator.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of 20-25 percent of budgeted operating expenditures for cash-flow timing needs.

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The District does not use encumbrance accounting.

On or before July 1 of each year, District staff compiles the budget into an overall preliminary District budget. Before September 15, the proposed budget is presented to the District Board for review. The District Board holds public hearings, and a final budget is prepared and adopted in December.

The appropriated budget is prepared by fund, function and department. The District's staff may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the District Board. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the District Board. There were no budget amendments during the year.

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (Continued)

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2023, the General, Chain of Lakes Operations & Maintenance, Bass Lake AIS, and Clearwater Lake AIS funds had expenditures over appropriations of $170,193, $341,847, $1,210 and $26,546, respectively. Excess expenditures over appropriations was funded by additional revenues and available fund balance.

C. Deficit Fund Equity

The following had fund equity deficits at year-end:

Fund	Amount
Governmental	
Nonmajor	
Augusta Channel Clean Out	$ 1,825
Data acquisition	58,683
School Section Lake Outlet	2,354

The fund deficits are planned to be eliminated with future interfund transfers and committed revenues.

Note 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the District Board, the District maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

- Time deposits that are fully insured by any federal agency

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

On December 31, 2023, the carrying amount of deposits was $67,201 and the bank balance was $67,201. Of the bank balance, $250,000 was covered by federal depository insurance.

Investments

As of December 31, 2023, the District had the following investments that are insured or registered, or securities held by the District's agent in the District's name:

	Credit Risk		Fair Value Measurements	Interest Risk - Maturity Duration in Years		
Type of Investments	Rating	Agency	Using	Less Than 1	1 to 5	Total
Pooled Investments at Amortized Cost: Minnesota Municipal Money Market Fund Liquid Class	N/R	N/R	NAV	$ 2,675,395	-	$ 2,738,417
Total investments						**$ 2,738,417**

N/A - Not applicable
N/R - Not rated

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. The District does not have an investment policy to address this risk.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to those listed in footnote one. The District does not have an investment policy to address this risk.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District does not have an investment policy to address this risk.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. On December 31, 2023, the District's investment portfolio did not hold 5% or more of the total investment with any specific issuers. The District does not have an investment policy to address this risk.

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

The Minnesota Municipal Money Market Fund (4M Fund) is regulated by Minnesota Statutes and is an external investment pools not registered with the Securities Exchange Commission (SEC). The District's investment in the 4M Fund is measured at the net asset value (NAV) per share provided by the pool, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The NAV method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investments. For 4M Fund investments valued at the NAV, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class.

A reconciliation of cash and investments as shown on the Statement of Net Position for the District follows:

	Governmental Funds	Proprietary Funds
Demand deposits	$ 132,545	$ (65,344)
Total cash and cash equivalents as shown on the Statement of Net Position	132,545	(65,344)
Investments	2,426,490	311,927
Total cash and investments	$ 2,559,035	$ 246,583

B. Receivables

Receivables as of the year end for the District are reported on the Statement of Net Position. There are no estimates for allowances for uncollectible receivables.

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred inflows* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes - general fund	$ 4,862	$ -
Delinquent property taxes - chain of lakes	5,374	-
Special assessments delinquent - bass lake AIS	24,998	-
Special assessments not yet due - bass lake AIS	123,678	-
Special assessments delinquent - clearwater lake AIS	39,268	-
Special assessments not yet due - clearwater lake AIS	152,911	-
Special assessments delinquent - debt service fund	36,747	-
Special assessments not yet due - debt service fund	197,312	-
Special assessments delinquent - nonmajor funds	3,595	-
Total unavailable/unearned revenue	$ 588,745	$ -

The only receivables not expected to be collectible within one year are the following: General fund: $2,000 of delinquent taxes, Bass Lake AIS special assessments of $98,943, Clearwater Lake AIS special assessments of $126,604 and Debt Service fund: $162,540 of special assessments.

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

C. Capital assets

Capital asset activity for the District for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 235,853	$ -	$ -	$ 235,853
Total capital assets not being depreciated	235,853	-	-	235,853
Capital assets being depreciated				
Distribution system	2,050,319	-	-	2,050,319
Machinery and equipment	64,402	-	-	64,402
Total capital assets being depreciated	2,114,721	-	-	2,114,721
Less accumulated depreciation for				
Distribution system	(643,780)	(102,516)	-	(746,296)
Machinery and equipment	(40,949)	(3,749)	-	(44,698)
Total accumulated depreciation	(684,729)	(106,265)	-	(790,994)
Total capital assets being depreciated, net	1,429,992	(106,265)	-	1,323,727
Governmental activities capital assets, net	$ 1,665,845	$ (106,265)	$ -	$ 1,559,580

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 35,400	$ -	$ -	$ 35,400
Capital assets being depreciated				
Sanitary system	4,249,480	-	-	4,249,480
Machinery and equipment	8,670	-	-	8,670
Total capital assets being depreciated	4,258,150	-	-	4,258,150
Less accumulated depreciation for				
Sanitary system	(1,611,090)	(125,821)	-	(1,736,911)
Machinery and equipment	(6,841)	(578)	-	(7,419)
Total accumulated depreciation	(1,617,931)	(126,399)	-	(1,744,330)
Total capital assets being depreciated, net	2,640,219	(126,399)	-	2,513,820
Business-type activities capital assets, net	$ 2,675,619	$ (126,399)	$ -	$ 2,549,220

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities	
General government	$ 106,265
Total depreciation expense - governmental activities	$ 106,265
Business-type activities	
Hidden River	$ 27,046
Rest a While	2,643
Clearwater Harbor	94,260
Wandering Ponds	2,450
Total depreciation expense - business-type activities	$ 126,399

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

D. Long-term debt

Note Payable

The District and the County of Stearns, Minnesota (the County) entered into an agreement under Minnesota Statute 103D.335 whereas the County agreed to finance part of a nitrogen mitigation project. This note is to be repaid from assessments certified to the benefiting property owners over a ten-year term commencing August 1, 2020, in twenty equal installments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Note Payable	$ 616,323	4.00%	11/1/19	2/1/30	$ 350,672

Annual debt service requirements to maturity for note payable are as follows:

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2024	$ 48,222	$ 13,593	$ 61,815
2025	50,209	11,606	61,815
2026	52,238	9,577	61,815
2027	54,348	7,467	61,815
2028	56,531	5,284	61,815
2029-2030	89,124	3,598	92,722
Total	$ 350,672	$ 51,125	$ 401,797

Changes in long-term liabilities

During the year ended December 31, 2023, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Note payable	$ 397,060	$ -	$ (46,388)	$ 350,672	$ 48,222
Governmental activity long-term liabilities	$ 397,060	$ -	$ (46,388)	$ 350,672	$ 48,222

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

E. Net Position/Fund Balance

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements on December 31, 2023, included the following:

Nonspendable:	
Major Funds:	
General Fund - prepaid expenses	$ 4,854
Restricted:	
Clear lake restoration	149,721
Debt service	102,589
Total Restricted	252,310
Committed:	
Major Funds:	
Chain of lakes O&M	494,852
Bass lake AIS	71,580
Clearwater lake AIS	291,412
Non-Major Funds:	
Clearwater grass/bog removal	14,943
Cedar #06-1 maintenance	57,950
Cedar lake AIS	13,280
Louisa & Marie AIS	92,799
Lake Augusta AIS	16,920
Watkins storm water	116,555
School Section project	4,614
Clearwater harbor/Hidden River nitrogen mitigation	103,785
Total Committed	1,278,690
Unassigned:	
Major Funds:	
General Fund	1,058,392
Nonmajor Funds:	
Augusta channel clean out	(1,825)
Data acquisition	(58,683)
School Section lake outlet	(2,354)
Total unassigned fund balance	995,530
Total Fund Balances	$ 2,531,384

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Governmental Activities Net Position

Governmental activities net position reported on the government-wide statement of net position on December 31, 2023, includes the following:

Net Investment in Capital Assets:	
Land	$ 235,853
Distribution system	2,050,319
Machinery and equipment	64,402
Less: accumulated depreciation	(790,994)
Less: related debt	(350,672)
Total Net Investment in Capital Assets	1,208,908
Restricted:	
Debt service	331,907
Grant expenditures	149,722
Total Restricted	481,629
Unrestricted	2,633,760
Total Governmental Activities Net Position	$ 4,324,297

Business-type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position on December 31, 2023, includes the following:

Net Investment in Capital Assets:	
Land	$ 35,400
Sanitary system	4,249,480
Machinery and equipment	8,670
Less: accumulated depreciation	(1,744,330)
Total Net Investment in Capital Assets	2,549,221
Unrestricted	279,621
Total Business-type Activities Net Position	$ 2,828,842

Note 4 OTHER INFORMATION

A. 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; injuries to employees; and natural disasters for which the District carries insurance. The District obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The District pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the District's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

B. Contingencies

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state government. 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.

REQUIRED SUPPLEMENTARY INFORMATION

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2023

	Original And Final Budget	Actual Amount	Variance with Final Budget - Over (Under)
Revenues:			
Property Taxes	$ 0	$ 247,458	$ 247,458
Special Assessments	0	3,677	3,677
Intergovernmental	0	3,013	3,013
Other Revenues	0	628	628
Interest Earnings	0	45,467	45,467
Total Revenues	0	300,243	300,243
Expenditures:			
Current:			
Governance	0	24,493	24,493
Administrative & General	0	122,719	122,719
Technical & Engineering	0	13,915	13,915
Operations & Maintenance	0	1,062	1,062
Water Quality Monitoring	0	4,529	4,529
Other Special Projects	0	3,475	3,475
Total Expenditures	0	170,193	170,193
Change in Fund Balance	$ 0	130,050	$ 130,050
Fund Balance - January 1		933,196	
Fund Balance - December 31		$ 1,063,246	

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CHAIN OF LAKES OPERATIONS & MAINTENANCE
For the Year Ended December 31, 2023

	Original And Final Budget	Actual Amount	Variance with Final Budget - Over (Under)
Revenues:			
Special Assessments	$ 0	$ 181,577	$ 181,577
Interest Earnings	0	23,728	23,728
Total Revenues	0	205,305	205,305
Expenditures:			
Current:			
Administrative & General	0	6,336	6,336
Technical & Engineering	0	17,513	17,513
Operations & Maintenance	0	247,165	247,165
Water Quality Monitoring	0	70,833	70,833
Total Expenditures	0	341,847	341,847
Change in Fund Balance	$ 0	(136,542)	$ (136,542)
Fund Balance - January 1		631,394	
Fund Balance - December 31		$ 494,852	

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BASS LAKE AIS
For the Year Ended December 31, 2023

	Original And Final Budget	Actual Amount	Variance with Final Budget - Over (Under)
Revenues:			
Special Assessments	$ 0	$ 32,151	$ 32,151
Interest Earnings	0	2,442	2,442
Total Revenues	0	34,593	34,593
Expenditures:			
Current:			
Administrative & General	0	1,210	1,210
Total Expenditures	0	1,210	1,210
Change in Fund Balance	$ 0	33,383	$ 33,383
Fund Balance - January 1		38,197	
Fund Balance - December 31		$ 71,580	

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CLEARWATER LAKE AIS
For the Year Ended December 31, 2023

	Original And Final Budget	Actual Amount	Variance with Final Budget - Over (Under)
Revenues:			
Special Assessments	0	45,691	45,691
Interest Earnings	0	12,968	12,968
Total Revenues	0	58,659	58,659
Expenditures:			
Current:			
Administrative & General	0	2,197	2,197
Operations & Maintenance	0	24,055	24,055
Water Quality Monitoring	0	294	294
Total Expenditures	0	26,546	26,546
Change in Fund Balance	$ 0	32,113	$ 32,113
Fund Balance - January 1		259,299	
Fund Balance - December 31		$ 291,412	

SUPPLEMENTARY INFORMATION

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
December 31, 2023

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 54,215	$ (72,970)	$ (18,755)
Investments	236,042	303,880	539,922
Property Taxes Receivable	33	0	33
Special Assessments Receivable	4,012	0	4,012
TOTAL ASSETS	$ 294,302	$ 230,910	$ 525,212
LIABILITIES, DEFERRED OUTFLOW OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts Payable	$ 7,956	$ 5,956	$ 13,912
Deferred Outflows of Resources			
Unavailable Revenue	3,595	0	3,595
Fund Balances			
Restricted	149,721	0	149,721
Committed	195,892	224,954	420,846
Unassigned	(62,862)	0	(62,862)
Total Fund Balances	282,751	224,954	507,705
TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCE	$ 294,302	$ 230,910	$ 525,212

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND,
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	Special Revenue	Capital Project	Total Nonmajor Governmental Funds
Revenues:			
Property Taxes	$ (77)	$ 0	$ (77)
Special Assessments	140,008	0	140,008
Interest Earnings	16,464	6,849	23,313
Total Revenues	156,395	6,849	163,244
Expenditures:			
Current:			
Administration & General	8,910	1,767	10,677
Technical & Engineering	26,117	5,941	32,058
Operation & Maintenance	97,099	0	97,099
Water Quality Monitoring	31,417	3,478	34,895
Capital Outlay	0	2,571	2,571
Total Expenditures	163,543	13,757	177,300
Change in Fund Balance	(7,148)	(6,908)	(14,056)
Fund Balance - January 1	289,899	231,862	521,761
Fund Balance - December 31	$ 282,751	$ 224,954	$ 507,705

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2023

	Clearwater Grass/Bog Removal	Augusta Channel Clean Out	Data Acquisition	School Section Lake Outlet
ASSETS				
Cash and Cash Equivalents	$ 823	$ 5,910	$ 6,865	$ (12,740)
Investments	14,007	(7,735)	(65,420)	10,373
Property Taxes Receivable	0	0	33	0
Special Assessments Receivable	461	0	0	296
TOTAL ASSETS	$ 15,291	$ (1,825)	$ (58,522)	$ (2,071)
LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts Payable	$ 2	$ 0	$ 120	$ 0
Deferred Outflows of Resources				
Unavailable Revenue	346	0	41	283
Fund Balances				
Restricted	0	0	0	0
Committed	14,943	0	0	0
Unassigned	0	(1,825)	(58,683)	(2,354)
Total Fund Balances	14,943	(1,825)	(58,683)	(2,354)
TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCE	$ 15,291	$ (1,825)	$ (58,522)	$ (2,071)

Cedar #06-1 Maintenance	Cedar Lake AIS	Louisa & Marie AIS	Lake Augusta AIS	Clear Lake Restoration	Total Nonmajor Special Revenue Funds
$ 58,357	$ (5,644)	$ 6,863	$ (3,171)	$ (3,048)	$ 54,215
(146)	18,832	85,797	26,906	153,428	236,042
0	0	0	0	0	33
1,441	564	1,147	103	0	4,012
$ 59,652	$ 13,752	$ 93,807	$ 23,838	$ 150,380	$ 294,302
$ 332	$ 2	$ 0	$ 6,841	$ 659	$ 7,956
1,370	470	1,008	77	0	3,595
0	0	0	0	149,721	149,721
57,950	13,280	92,799	16,920	0	195,892
0	0	0	0	0	(62,862)
57,950	13,280	92,799	16,920	149,721	282,751
$ 59,652	$ 13,752	$ 93,807	$ 23,838	$ 150,380	$ 294,302

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND,
CHANGES IN FUND BALANCE - NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2023

	Clearwater Grass/Bog Removal	Augusta Channel Clean Out	Data Acquisition	School Section Lake Outlet
Revenues:				
Property Taxes	$ 0	$ 0	$ (77)	$ 0
Special Assessments	13,430	3,867	532	7,727
Interest Earnings	341	0	0	0
Total Revenues	13,771	3,867	455	7,727
Expenditures:				
Current:				
Administration & General	1,289	1,361	0	357
Technical & Engineering	1,400	1,650	0	0
Operation & Maintenance	0	0	0	0
Water Quality Monitoring	0	0	8,434	0
Total Expenditures	2,689	3,011	8,434	357
Change in Fund Balance	11,082	856	(7,979)	7,370
Fund Balance - January 1	3,861	(2,681)	(50,704)	(9,724)
Fund Balance - December 31	$ 14,943	$ (1,825)	$ (58,683)	$ (2,354)

Cedar #06-1 Maintenance	Cedar Lake AIS	Louisa & Marie AIS	Lake Augusta AIS	Clear Lake Restoration	Total Nonmajor Special Revenue Funds
$ 0	$ 0	$ 0	$ 0	$ 0	$ (77)
56,318	22,761	30,334	5,039	0	140,008
3,393	665	3,614	955	7,496	16,464
59,711	23,426	33,948	5,994	7,496	156,395
1,440	1,261	2,266	486	450	8,910
1,375	0	0	210	21,482	26,117
45,919	31,781	6,606	6,841	5,952	97,099
22,983	0	0	0	0	31,417
71,717	33,042	8,872	7,537	27,884	163,543
(12,006)	(9,616)	25,076	(1,543)	(20,388)	(7,148)
69,956	22,896	67,723	18,463	170,109	289,899
$ 57,950	$ 13,280	$ 92,799	$ 16,920	$ 149,721	$ 282,751

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2023

	Watkins Storm Water Treatment	School Section Lake Outlet	Clearwater Harbor/ Hidden River Nitrogen Mitigation	Total Nonmajor Capital Projects
ASSETS				
Cash and Cash Equivalents	$ (1,690)	$ (5,352)	$ (65,928)	$ (72,970)
Investments	123,496	10,671	169,713	303,880
TOTAL ASSETS	$ 121,806	$ 5,319	$ 103,785	$ 230,910
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	$ 5,251	$ 705	$ 0	$ 5,956
Fund Balance				
Committed	116,555	4,614	103,785	224,954
TOTAL LIABILITIES AND FUND BALANCE	$ 121,806	$ 5,319	$ 103,785	$ 230,910

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND,
CHANGES IN FUND BALANCE - NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended December 31, 2023

	Watkins Storm Water Treatment	School Section Lake Outlet	Clearwater Harbor/ Hidden River Nitrogen Mitigation	Total Nonmajor Capital Projects
Revenues:				
Interest Earnings	$ 5,693	$ 392	$ 764	$ 6,849
Expenditures:				
Current:				
Administration & General	715	525	527	1,767
Technical & Engineering	5,941	0	0	5,941
Water Quality Monitoring	660	2,818	0	3,478
Capital Outlay	0	2,571	0	2,571
Total Expenditures	7,316	5,914	527	13,757
Change in Fund Balances	(1,623)	(5,522)	237	(6,908)
Fund Balance - January 1	118,178	10,136	103,548	231,862
Fund Balance - December 31	$ 116,555	$ 4,614	$ 103,785	$ 224,954

OTHER REPORTS

Burkhardt & Burkhardt, Ltd.

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Experienced... *Over 40 years combined experience*

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MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

Board of Managers
Clearwater River Watershed District
Annandale, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Clearwater River Watershed District (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated July 29, 2024.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven 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 audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the District has no tax increment districts.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was 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 District's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
July 29, 2024

*Members of the Governmental Audit Quality Center, American Institute of Certified Public Accountants and the Minnesota Society of Certified Public Accountants

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Board of Managers
Clearwater River Watershed District
Annandale, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Clearwater River Watershed District (the District) as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. As described in the accompanying schedule of findings and responses, we did identify a deficiency in internal control that we consider to be a material weakness as item 2023-001.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As described in the accompanying schedule of findings and responses, we consider the following deficiencies in internal control to be significant deficiencies as items 2023-002 and 2023-003.

This communication is intended solely for the information and use of the District Board and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

This communication is intended solely for the information and use of the governance and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Burkhardt & Burkhardt, Ltd.
Mankato, Minnesota
July 29, 2024

**Members of the Governmental Audit Quality Center, American Institute of Certified Public Accountants and the Minnesota Society of Certified Public Accountants*

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2023

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Material Weaknesses

Finding 2023-001. Material Audit Adjustments

Condition:	The audit firm proposed, and the District approved corrections of certain misstatements.
Criteria	The District should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibility includes adjusting the financial statements to correct material misstatements.
Cause:	The District has not established controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with GAAP.
Effect:	The design of internal control over completeness and accuracy of financial records could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.
Recommendation:	The District should continue to evaluate its internal controls processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The District will continue to review and approve adjusting journal entries as proposed by the auditor, as well as taking responsibility for the audited financial statements.

Official Responsible for Ensuring CAP:

Rebecca Carlson, District Administrator

Planned Completion Date for CAP:

December 31, 2024

Plan to Monitor Completion of CAP:

District Board

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2023

Significant Deficiencies

Finding 2023-002. Auditor Prepared Financial Statements and Related Footnotes

Condition:	The District does have an internal control in place for the review of the drafted financial statements, however, the District does not have an internal control system designed to provide for the preparation of the related notes being audited. Based on the degree of complexity and level of detail needed to prepare the financial statement disclosures in accordance with accounting principles generally accepted in the United States of America (GAAP), the District has requested the auditors prepare them.
Criteria	The preparation of the financial statements and the related notes are the responsibility of management.
Cause:	The District has informed us they do not have the expertise to prepare the annual financial statement disclosures, although, the District has reviewed and approved the annual financial statements as prepared by the audit firm.
Effect:	This could result in a material omission of a disclosure that would not be prevented or detected and corrected as a result of the District's current internal control.
Recommendation:	The District should continue to request assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the District can take responsibility for them.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The District is aware of the lack of expertise to ensure all disclosures required by GAAP are included in the financial statements, however, the District will review the notes for accuracy and compare balances in the financial report to the general ledger and other District reports prior to issuance of the financial statements.

Official Responsible for Ensuring CAP:

Rebecca Carlson, District Administrator

Planned Completion Date for CAP:

December 31, 2024

Plan to Monitor Completion of CAP:

District Board

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2023

Finding 2023-003. Limited Segregation of Duties

Condition:	There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.
Criteria	There are four general categories of duties: authorization, custody, record keeping, and reconciliation. No one person should have control over more than two of these four responsibilities.
Cause:	The District has assigned duties to staff based on a cost-benefit relationship to the District and the practicality of the level of staffing the District maintains.
Effect:	The lack of adequate segregation of duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.
Recommendation:	The District should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The District is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Official Responsible for Ensuring CAP:

Rebecca Carlson, District Administrator

Planned Completion Date for CAP:

December 31, 2024

Plan to Monitor Completion of CAP:

District Board

CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2023

Finding Reference	Finding Title	Status	Year Finding Initially Occurred	If Not Corrected, Provide Planned Corrective Action or Other Explanation
Financial Statement Findings:				
2022-001	Material Audit Adjustments	Not Corrected	2019	See Current Year Finding 2023-001
2022-002	Auditor Preparation of Financial Statements	Not Corrected	2010	See Current Year Finding 2023-002
2022-003	Limited Segregation of Duties	Not Corrected	2010	See Current Year Finding 2023-003
Minnesota Legal Compliance Findings:				
2022-004	Late Submission of Report of Outstanding Indebtedness	Correct	2022	N/A