CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2022

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

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CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

GOVERNANCE AND ADMINISTRATION
December 31, 2022

APPOINTED OFFICIALS

Board of Managers	Position	Term Expires
Robert Schiefelbein	President	August 2024
Chris Uecker	Vice President	August 2022
Dawn Cole	Secretary	August 2023
Dale Homuth	Treasurer	August 2023
Paul DeGree	Member	August 2022

ADMINISTRATION

Rebecca Carlson	Administrator
JASS Administrative Services	Bookkeeping

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Affordable... *Exceptional value for a reasonable price*

Friendly... *Family owned and run since 1990*

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, 2022, 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, 2022, 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 2021 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 June 15, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2021, 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 17, 2023

BASIC FINANCIAL STATEMENTS

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

STATEMENT OF NET POSITION
December 31, 2022

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and Cash Equivalents	$ 142,825	$ 10,874	$ 153,699
Investments	2,376,188	299,207	2,675,395
Receivables:			
Accounts	0	42,391	42,391
Property Taxes	8,473	0	8,473
Special Assessments	371,084	0	371,084
Prepaid Expenses	4,425	4,455	8,880
Capital Assets	2,350,574	4,293,550	6,644,124
Accumulated Depreciation	(684,729)	(1,617,928)	(2,302,657)
TOTAL ASSETS	$ 4,568,840	$ 3,032,549	$ 7,601,389
LIABILITIES AND NET POSITION			
Liabilities			
Deficit Cash Balances	$ 0	$ 76,101	$ 76,101
Accounts Payable	37,600	7,196	44,796
Accrued Expenses	8,659	0	8,659
Unearned Revenue	0	4,385	4,385
Current Portion of Long-Term Debt	46,387	0	46,387
Long-Term Debt, Net of Current Portion	350,673	0	350,673
Total Liabilities	443,319	87,682	531,001
Net Position			
Net Investment in Capital Assets	1,268,785	2,675,621	3,944,406
Restricted	643,685	0	643,685
Unrestricted	2,213,051	269,246	2,482,297
Total Net Position	4,125,521	2,944,867	7,070,388
TOTAL LIABILITIES AND NET POSITION	$ 4,568,840	$ 3,032,549	$ 7,601,389

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, 2022

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	$ 261,425	$ 0	$ 0	$ 0	$ (261,425)	$ 0	$ (261,425)
Special Revenue	295,572	395,660	0	44,815	144,903	0	144,903
Capital Projects	28,662	0	0	81,118	52,456	0	52,456
Interest on Long-term Debt	16,630	0	0	0	(16,630)	0	16,630
Total Governmental Activities	602,289	395,660	0	125,933	(80,696)	0	(47,436)
BUSINESS-TYPE ACTIVITIES:							
Sanitary Sewer System	208,963	93,485	0	0	0	(115,478)	(115,478)
Total Primary Government	$ 811,252	$ 489,145	$ 0	$ 125,933	(80,696)	(115,478)	(162,914)
General Revenues:							
Property Taxes, Levied for General Purposes					248,188	0	248,188
Intergovernmental					184,363	0	184,363
Interest and Investments Earnings					33,046	3,379	36,425
Other Revenues					4,509	2,834	7,343
Total General Revenues					470,106	6,213	476,319
Changes in Net Position					389,410	(109,265)	280,145
Net Position - January 1					3,736,111	3,054,132	6,790,243
Net Position - December 31					$ 4,125,521	$ 2,944,867	$ 7,070,388

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, 2022

	General	Chain of Lakes Operations & Maintenance	Data Acquisition	Clear Lake Restoration
ASSETS				
Cash and Cash Equivalents	$ 92,920	$ 83,634	$ 6,735	$ (2,970)
Investments	839,547	552,637	(49,541)	174,877
Property Taxes Receivable	8,318	0	155	0
Special Assessments Receivable	178	2,943	0	0
Prepaid Expenses	4,425	0	0	0
TOTAL ASSETS	$ 945,388	$ 639,214	$ (42,651)	$ 171,907
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts Payable	$ 4,350	$ 7,820	$ 7,923	$ 1,798
Accrued Expenses	3,320	0	0	0
Total Liabilities	7,670	7,820	7,923	1,798
Deferred Inflows of Resources				
Unavailable Revenue	4,522	0	130	0
Fund Balances				
Nonspendable	4,425	0	0	0
Restricted	0	0	0	170,109
Committed	0	631,394	0	0
Unassigned	928,771	0	(50,704)	0
Total Fund Balances	933,196	631,394	(50,704)	170,109
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 945,388	$ 639,214	$ (42,651)	$ 171,907

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

Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
$ (63,850)	$ 26,356	$ 142,825
171,328	687,340	2,376,188
0	0	8,473
366,098	1,865	371,084
0	0	4,425
$ 473,576	$ 715,561	$ 2,902,995
$ 0	$ 15,709	$ 37,600
0	0	3,320
0	15,709	40,920
365,429	0	370,081
0	0	4,425
108,147	0	278,256
0	712,257	1,343,651
0	(12,405)	865,662
108,147	699,852	2,491,994
$ 473,576	$ 715,561	$ 2,902,995

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, 2022

Total Fund Balances - Governmental Funds	$ 2,491,994
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	(684,729)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Note payable	(397,060)
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	4,652
Special Assessments	365,429
Governmental funds do not report a liability for accrued interest payable until due and payable.	(5,338)
Total Net Position - Governmental Activities	$ 4,125,521

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, 2022

	General	Chain of Lakes Operations & Maintenance	Data Acquisition	Clear Lake Restoration
Revenues:				
Property Taxes	$ 247,507	$ 0	$ 388	$ 0
Intergovernmental	3,065	0	0	180,500
Special Assessments	7,789	184,322	0	0
Other Revenues	192	52	0	2,000
Interest Earnings	11,902	8,172	53	2,309
Total Revenues	270,455	192,546	441	184,809
Expenditures:				
Current:				
Governance	623	0	0	0
Administration & General	146,194	11,096	1,950	0
Technical & Engineering	2,877	10,161	0	14,217
Operation & Maintenance	2,532	5,299	0	483
Water Quality Monitoring	730	31,958	83,780	0
Other Special Projects	4,209	0	0	0
Capital Outlay	0	0	13,365	0
Debt Service:				
Principal	0	0	0	0
Interest and Fiscal Fees	0	0	0	0
Total Expenditures	157,165	58,514	99,095	14,700
Change in Fund Balance	113,290	134,032	(98,654)	170,109
Fund Balance - January 1	819,906	497,362	47,950	0
Fund Balance - December 31	$ 933,196	$ 631,394	$ (50,704)	$ 170,109

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

Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
$ 0	$ 0	$ 247,895
0	81,916	265,481
50,189	203,549	445,849
0	2,265	4,509
2,366	8,244	33,046
52,555	295,974	996,780
0	0	623
0	24,895	184,135
0	4,001	31,256
0	105,722	114,036
0	7,163	123,631
0	0	4,209
0	23,509	36,874
44,586	0	44,586
17,229	0	17,229
61,815	165,290	556,579
(9,260)	130,684	440,201
117,407	569,168	2,051,793
$ 108,147	$ 699,852	$ 2,491,994

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, 2022

Total Net Change in Fund Balances - Governmental Funds	$ 440,201
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.	
Capital outlay	13,365
Depreciation	(104,260)
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	44,586
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.	599
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	292
Special Assessments	(5,374)
Change in Net Position - Governmental Activities	$ 389,410

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, 2022

	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	$ 4,815	$ 0	$ 6,059	$ 10,874
Investments	44,533	16,769	163,418	74,487	299,207
Accounts Receivable	10,246	3,140	21,258	7,747	42,391
Prepaid Expenses	1,111	296	2,651	397	4,455
Total Current Assets	55,890	25,020	187,327	88,690	356,927
Noncurrent Assets:					
Capital Assets	1,078,432	141,138	3,002,480	71,500	4,293,550
Less: Accumulated Depreciation	(304,448)	(50,886)	(1,225,773)	(36,821)	(1,617,928)
Net Capital Assets	773,984	90,252	1,776,707	34,679	2,675,622
TOTAL ASSETS	$ 829,874	$ 115,272	$ 1,964,034	$ 123,369	$ 3,032,549
LIABILITIES AND NET POSITION					
Current Liabilities:					
Deficit Cash Balances	$ 39,254	$ 0	$ 36,847	$ 0	$ 76,101
Accounts Payable	813	1,175	2,084	3,124	7,196
Unearned Revenue	1,835	368	2,042	140	4,385
Total Current Liabilities	41,902	1,543	40,973	3,264	87,682
Net Position:					
Net Investment in Capital Assets	773,984	90,252	1,776,706	34,679	2,675,621
Unrestricted	13,988	23,477	146,355	85,426	269,246
Total Net Position	787,972	113,729	1,923,061	120,105	2,944,867
TOTAL LIABILITIES AND NET POSITION	$ 829,874	$ 115,272	$ 1,964,034	$ 123,369	$ 3,032,549

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, 2022

	Business-type Activities - Enterprise Funds				
	Hidden River Maintenance	Rest a while Maintenance	Clearwater Harbor Maintenance	Wandering Ponds	Totals
Operating Revenues:					
Charges for Services	$ 25,130	$ 7,112	$ 51,852	$ 9,391	$ 93,485
Operating Expenses:					
Administration & General	6,873	2,255	14,135	1,869	25,132
Routine Maintenance	12,606	1,691	40,185	2,950	57,432
Depreciation	27,046	2,643	94,260	2,450	126,399
Total Operating Expenses	46,525	6,589	148,580	7,269	208,963
Income (Loss) from Operations	(21,395)	523	(96,728)	2,122	(115,478)
Nonoperating Revenues (Expenses):					
Interest Earnings	25	302	2,050	1,002	3,379
Other Revenues	212	37	2,585	0	2,834
Total Nonoperating Revenues (Expenses)	237	339	4,635	1,002	6,213
Change in Net Position	(21,158)	862	(92,093)	3,124	(109,265)
Net Position - January 1	809,130	112,867	2,015,154	116,981	3,054,132
Net Position - December 31	$ 787,972	$ 113,729	$ 1,923,061	$ 120,105	$ 2,944,867

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, 2022

	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	$ 24,841	$ 6,159	$ 52,361	$ 8,335	$ 91,696
Payments to Suppliers	(20,716)	(2,720)	(54,970)	(4,719)	(83,125)
Other Receipts	212	37	2,585	0	2,834
Net Cash from Operating Activities	4,337	3,476	(24)	3,616	11,405
CASH FLOWS FROM NONCAPITAL FINANCING ACTVITIES					
Net Sales/(Purchases) of Investments	2,925	(502)	13,437	286	16,146
Change in Cash and Cash Equivalents	7,262	2,974	13,413	3,902	27,551
Cash and Cash Equivalents - January 1	(46,516)	1,841	(50,260)	2,157	(92,778)
Cash and Cash Equivalents - December 31	$ (39,254)	$ 4,815	$ (36,847)	$ 6,059	$ (65,227)
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:					
Income (Loss) from Operations	$ (21,395)	$ 523	$ (96,728)	$ 2,122	$ (115,478)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:					
Other Receipts	212	37	2,585	0	2,834
Depreciation Expense	27,046	2,643	94,260	2,450	126,399
(Increase) Decrease in:					
Accounts Receivable	(289)	(953)	509	(1,056)	(1,789)
Prepaid Expenses	10	51	(48)	4	17
Increase (Decrease) in:					
Accounts Payable	(1,962)	1,175	(694)	325	(1,156)
Unearned Revenue	715	0	92	(229)	578
Net Cash from Operating Activities	$ 4,337	$ 3,476	$ (24)	$ 3,616	$ 11,405

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 *Data Acquisition fund* accounts for revenues and accumulated resources necessary to monitor lake health in the watershed.

The *Clear Lake Restoration fund* accounts for revenues and accumulated resources necessary for the restoration of Cedar Lake.

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, 2022.

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 2022. 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, 2022, the general, chain of lakes operations & maintenance, data acquisition and clear lake restoration funds had expenditures over appropriations of $157,165, $58,514, $99,095 and $170,109, 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	
Major	
Data Acquisition	$ 50,704
Nonmajor	
Augusta Channel Clean Out	2,681
School Section Lake Outlet	9,724

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, 2022, the carrying amount of deposits was $77,598 and the bank balance was $96,131. Of the bank balance, $250,000 was covered by federal depository insurance.

Investments

As of December 31, 2022, 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	-	$ 2,675,395
Total investments						**$ 2,675,395**

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, 2022, 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	$ 142,825	$ (65,227)
Total cash and cash equivalents as shown on the Statement of Net Position	142,825	(65,227)
Investments	2,376,188	299,207
Total cash and investments	$ 2,519,013	$ 233,980

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	$ 4,522	$ -
Delinquent property taxes - data aquisition fund	130	-
Special assessments not yet due - debt service fund	365,429	-
Total unavailable/unearned revenue	$ 370,081	$ -

The only receivables not expected to be collectible within one year are the following: General Fund: $2,000 of delinquent taxes and Debt Service Fund: $310,000 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, 2022, 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	51,037	13,365	-	64,402
Total capital assets being depreciated	2,101,356	13,365	-	2,114,721
Less accumulated depreciation for				
Distribution system	(541,264)	(102,516)	-	(643,780)
Machinery and equipment	(39,205)	(1,744)	-	(40,949)
Total accumulated depreciation	(580,469)	(104,260)	-	(684,729)
Total capital assets being depreciated, net	1,520,887	(90,895)	-	1,429,992
Governmental activities capital assets, net	$ 1,756,740	$ (90,895)	$ -	$ 1,665,845

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	(1,485,267)	(125,821)	-	(1,611,088)
Machinery and equipment	(6,262)	(578)	-	(6,840)
Total accumulated depreciation	(1,491,529)	(126,399)	-	(1,617,928)
Total capital assets being depreciated, net	2,766,621	(126,399)	-	2,640,222
Business-type activities capital assets, net	$ 2,802,021	$ (126,399)	$ -	$ 2,675,622

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

Governmental activities	
General government	$ 104,260
Total depreciation expense - governmental activities	$ 104,260
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	$ 397,060

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

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2023	$ 46,387	$ 15,428	$ 61,815
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
2028-2030	145,656	8,883	154,539
Total	$ 397,060	$ 66,554	$ 463,614

Changes in long-term liabilities

During the year ended December 31, 2022, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Note payable	$ 441,645	$ -	$ (44,585)	$ 397,060	$ 46,387
Governmental activity long-term liabilities	$ 441,645	$ -	$ (44,585)	$ 397,060	$ 46,387

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, 2022, included the following:

Nonspendable:	
Major Funds:	
General Fund - prepaid expenses	$ 4,425
Restricted:	
Clear lake restoration	170,109
Debt service	108,147
Total Restricted	278,256
Committed:	
Major Funds:	
Chain of lakes O&M	631,394
Non-Major Funds:	
Clearwater grass/bog removal	3,861
Cedar #06-1 maintenance	69,956
Cedar lake AIS	22,896
Louisa & Marie AIS	67,723
Bass lake AIS	38,197
Clearwater lake AIS	259,299
Lake Augusta AIS	18,463
Watkins storm water	118,178
School Section project	10,136
Clearwater harbor/Hidden River nitrogen mitigation	103,548
Total Committed	1,343,651
Unassigned:	
Major Funds:	
General Fund	928,771
Data acquisition	(50,704)
Nonmajor Funds:	
Augusta channel clean out	(2,681)
School Section lake outlet	(9,724)
Total unassigned fund balance	865,662
Total Fund Balances	$ 2,491,994

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, 2022, includes the following:

Net Investment in Capital Assets:	
Land	$ 235,853
Distribution system	2,050,319
Machinery and equipment	64,402
Less: accumulated depreciation	(684,729)
Less: related debt	(397,060)
Total Net Investment in Capital Assets	1,268,785
Restricted:	
Debt service	473,576
Grant expenditures	170,109
Total Restricted	643,685
Unrestricted	2,213,051
Total Governmental Activities Net Position	$ 4,125,521

Business-type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position on December 31, 2022, includes the following:

Net Investment in Capital Assets:	
Land	$ 35,400
Sanitary system	4,249,480
Machinery and equipment	8,670
Less: accumulated depreciation	(1,617,929)
Total Net Investment in Capital Assets	2,675,621
Unrestricted	269,246
Total Business-type Activities Net Position	$ 2,944,867

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, 2022

	Original And Final Budget	Actual Amount	Variance with Final Budget - Over (Under)
Revenues:			
Property Taxes	$ 250,000	$ 247,507	$ (2,493)
Special Assessments	5,100	7,789	2,689
Intergovernmental	0	3,065	3,065
Other Revenues	0	192	192
Interest Earnings	0	11,902	11,902
Total Revenues	255,100	270,455	15,355
Expenditures:			
Current:			
Governance	0	623	623
Administrative & General	0	146,194	146,194
Technical & Engineering	0	2,877	2,877
Operations & Maintenance	0	2,532	2,532
Water Quality Monitoring	0	730	730
Other Special Projects	0	4,209	4,209
Total Expenditures	0	157,165	157,165
Change in Fund Balance	$ 255,100	113,290	$ (141,810)
Fund Balance - January 1		819,906	
Fund Balance - December 31		$ 933,196	

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, 2022

	Original And Final Budget	Actual Amount	Variance with Final Budget - Over (Under)
Revenues:			
Special Assessments	$ 176,000	$ 184,322	$ 8,322
Other Revenues	0	52	52
Interest Earnings	0	8,172	8,172
Total Revenues	176,000	192,546	16,546
Expenditures:			
Current:			
Administrative & General	0	11,096	11,096
Technical & Engineering	0	10,161	10,161
Operations & Maintenance	0	5,299	5,299
Water Quality Monitoring	0	31,958	31,958
Total Expenditures	0	58,514	58,514
Change in Fund Balance	$ 176,000	134,032	$ (41,968)
Fund Balance - January 1		497,362	
Fund Balance - December 31		$ 631,394	

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DATA ACQUISITION
For the Year Ended December 31, 2022

	Original And Final Budget	Actual Amount	Variance with Final Budget - Over (Under)
Revenues:			
Property Taxes	$ 0	$ 388	$ 388
Interest Earnings	0	53	53
Total Revenues	0	441	441
Expenditures:			
Current:			
Administrative & General	0	1,950	1,950
Technical & Engineering	0	0	0
Water Quality Monitoring	0	83,780	83,780
Capital Outlay	0	13,365	13,365
Total Expenditures	0	99,095	99,095
Change in Fund Balance	$ 0	(98,654)	$ (98,654)
Fund Balance - January 1		47,950	
Fund Balance - December 31		$ (50,704)	

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CLEAR LAKE RESTORATION
For the Year Ended December 31, 2022

	Original And Final Budget	Actual Amount	Variance with Final Budget - Over (Under)
Revenues:			
Intergovernmental	$ 0	$ 180,500	$ 180,500
Other Revenues	0	2,000	2,000
Interest Earnings	0	2,309	2,309
Total Revenues	0	184,809	184,809
Expenditures:			
Current:			
Technical & Engineering	0	14,217	14,217
Operations & Maintenance	0	483	483
Total Expenditures	0	14,700	14,700
Change in Fund Balance	$ 0	170,109	$ 170,109
Fund Balance - January 1		0	
Fund Balance - December 31		$ 170,109	

SUPPLEMENTARY INFORMATION

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
December 31, 2022

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 99,033	$ (72,677)	$ 26,356
Investments	382,801	304,539	687,340
Special Assessments Receivable	1,865	0	1,865
TOTAL ASSETS	$ 483,699	$ 231,862	$ 715,561
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	$ 15,709	$ 0	$ 15,709
Fund Balances			
Committed	480,395	231,862	712,257
Unassigned	(12,405)	0	(12,405)
Total Fund Balances	467,990	231,862	699,852
TOTAL LIABILITIES AND FUND BALANCE	$ 483,699	$ 231,862	$ 715,561

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, 2022

	Special Revenue	Capital Project	Total Nonmajor Governmental Funds
Revenues:			
Intergovernmental	$ 798	$ 81,118	$ 81,916
Special Assessments	203,549	0	203,549
Other Revenues	141	2,124	2,265
Interest Earnings	6,336	1,908	8,244
Total Revenues	210,824	85,150	295,974
Expenditures:			
Current:			
Administration & General	20,738	4,157	24,895
Technical & Engineering	763	3,238	4,001
Operation & Maintenance	105,722	0	105,722
Water Quality Monitoring	5,884	1,279	7,163
Capital Outlay	3,521	19,988	23,509
Total Expenditures	136,628	28,662	165,290
Change in Fund Balance	74,196	56,488	130,684
Fund Balance - January 1	393,794	175,374	569,168
Fund Balance - December 31	$ 467,990	$ 231,862	$ 699,852

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2022

	Clearwater Grass/Bog Removal	Augusta Channel Clean Out	School Section Lake Outlet	Cedar #06-1 Maintenance
ASSETS				
Cash and Cash Equivalents	$ 840	$ 5,968	$ (12,717)	$ 58,453
Investments	4,406	(8,968)	2,970	14,772
Special Assessments Receivable	57	319	23	252
TOTAL ASSETS	$ 5,303	$ (2,681)	$ (9,724)	$ 73,477
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	$ 1,442	$ 0	$ 0	$ 3,521
Fund Balances				
Committed	3,861	0	0	69,956
Unassigned	0	(2,681)	(9,724)	0
Total Fund Balances	3,861	(2,681)	(9,724)	69,956
TOTAL LIABILITIES AND FUND BALANCE	$ 5,303	$ (2,681)	$ (9,724)	$ 73,477

Cedar Lake AIS	Louisa & Marie AIS	Bass Lake AIS	Clearwater Lake AIS	Lake Augusta AIS	Total Nonmajor Special Revenue Funds
$ (5,613)	$ 6,949	$ 5,061	$ 43,256	$ (3,164)	$ 99,033
28,325	60,699	43,494	215,668	21,435	382,801
184	75	138	625	192	1,865
$ 22,896	$ 67,723	$ 48,693	$ 259,549	$ 18,463	$ 483,699
$ 0	$ 0	$ 10,496	$ 250	$ 0	$ 15,709
22,896	67,723	38,197	259,299	18,463	480,395
0	0	0	0	0	(12,405)
22,896	67,723	38,197	259,299	18,463	467,990
$ 22,896	$ 67,723	$ 48,693	$ 259,549	$ 18,463	$ 483,699

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, 2022

	Clearwater Grass/Bog Removal	Augusta Channel Clean Out	School Section Lake Outlet	Cedar #06-1 Maintenance
Revenues:				
Intergovernmental	$ 0	$ 0	$ 0	$ 0
Special Assessments	3,760	3,353	5,607	57,885
Other Revenues	14	0	23	54
Interest Earnings	130	0	0	698
Total Revenues	3,904	3,353	5,630	58,637
Expenditures:				
Current:				
Administration & General	8,031	0	333	4,988
Technical & Engineering	0	0	0	0
Operation & Maintenance	13,587	0	300	1,945
Water Quality Monitoring	0	0	0	5,884
Capital Outlay	0	0	0	3,521
Total Expenditures	21,618	0	633	16,338
Change in Fund Balance	(17,714)	3,353	4,997	42,299
Fund Balance - January 1	21,575	(6,034)	(14,721)	27,657
Fund Balance - December 31	$ 3,861	$ (2,681)	$ (9,724)	$ 69,956

Cedar Lake AIS	Louisa & Marie AIS	Bass Lake AIS	Clearwater Lake AIS	Lake Augusta AIS	Total Nonmajor Special Revenue Funds
$ 798	$ 0	$ 0	$ 0	$ 0	$ 798
23,401	31,343	25,431	47,839	4,930	203,549
5	16	5	19	5	141
170	901	575	3,608	254	6,336
24,374	32,260	26,011	51,466	5,189	210,824
743	2,384	239	2,031	1,989	20,738
0	763	0	0	0	763
27,900	24,778	10,601	21,716	4,895	105,722
0	0	0	0	0	5,884
0	0	0	0	0	3,521
28,643	27,925	10,840	23,747	6,884	136,628
(4,269)	4,335	15,171	27,719	(1,695)	74,196
27,165	63,388	23,026	231,580	20,158	393,794
$ 22,896	$ 67,723	$ 38,197	$ 259,299	$ 18,463	$ 467,990

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2022

	Watkins Storm Water Treatment	School Section Lake Outlet	Clearwater Harbor/ Hidden River Nitrogen Mitigation	Total Nonmajor Capital Projects
ASSETS				
Cash and Cash Equivalents	$ (1,691)	$ (5,057)	$ (65,929)	$ (72,677)
Investments	119,869	15,193	169,477	304,539
TOTAL ASSETS	$ 118,178	$ 10,136	$ 103,548	$ 231,862
FUND BALANCE				
Committed	$ 118,178	$ 10,136	$ 103,548	$ 231,862

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, 2022

	Watkins Storm Water Treatment	School Section Lake Outlet	Clearwater Harbor/ Hidden River Nitrogen Mitigation	Total Nonmajor Capital Projects
Revenues:				
Intergovernmental	$ 0	$ 0	$ 81,118	$ 81,118
Other Revenues	24	0	2,100	2,124
Interest Earnings	1,705	152	51	1,908
Total Revenues	1,729	152	83,269	85,150
Expenditures:				
Current:				
Administration & General	3,009	0	1,148	4,157
Technical & Engineering	3,238	0	0	3,238
Water Quality Monitoring	0	1,279	0	1,279
Capital Outlay	19,988	0	0	19,988
Total Expenditures	26,235	1,279	1,148	28,662
Change in Fund Balances	(24,506)	(1,127)	82,121	56,488
Fund Balance - January 1	142,684	11,263	21,427	175,374
Fund Balance - December 31	$ 118,178	$ 10,136	$ 103,548	$ 231,862

OTHER REPORTS

Burkhardt & Burkhardt, Ltd.

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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, 2022, and the related notes to the financial statements, and have issued our report thereon dated July 17, 2023.

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,* except as described in the schedule of findings and responses as item 2022-004. 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 17, 2023

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, 2022, 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 2022-001.

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 2022-002 and 2022-003.

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 17, 2023

**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, 2022

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Material Weaknesses

Finding 2022-001. Adjusting Journal Entries

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, 2023

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, 2022

Significant Deficiencies

Finding 2022-002. 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, 2023

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, 2022

Finding 2022-003. 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, 2023

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, 2022

CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2022-004. Public Indebtedness

MSA 471.70 requires the principal accounting officer of the District to report, on or before February 1 of each year, to the auditor of each county in which the District is situated, the total amount of outstanding obligations and the purpose for which issued, as of December 31 of the preceding year.

The District did not report outstanding obligations to the county by February 1.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The District is now aware of this reporting requirement and will ensure the outstanding obligations form is submitted to the county by the due date in subsequent years.

Official Responsible for Ensuring CAP:

Rebecca Carlson, District Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

District Board

CLEARWATER RIVER WATERSHED DISTRICT
ANNANDALE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2022

Finding Reference	Finding Title	Status	Year Finding Initially Occurred	If Not Corrected, Provide Planned Corrective Action or Other Explanation
Financial Statement Findings:				
2021-001	Material Audit Adjustments	Not Corrected	2019	See Current Year Finding 2022-001
2021-002	Approved Budget Reconciliation	Corrected	2021	N/A
2021-003	Delayed Deposits	Corrected	2021	N/A
2021-004	Auditor Preparation of Financial Statements	Not Corrected	2010	See Current Year Finding 2022-002
2021-005	Limited Segregation of Duties	Not Corrected	2010	See Current Year Finding 2022-003
Minnesota Legal Compliance Findings:				
None				